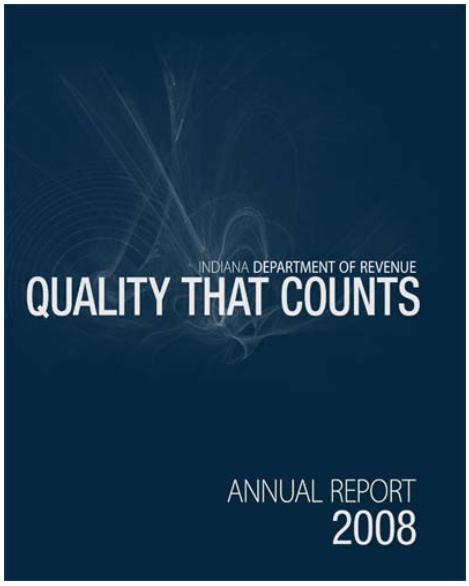
INDIANA DEPARTMENT OF REVENUE

QUALITY THAT COUNTS

ANNUAL REPORT

2008



About The Cover

The cover design portrays wisps of wind – which are indicative of a new direction. The Department's mantra – **Quality That Counts** – reflects a wind of change at the agency, one that drives every employee decision, every employee task, and every employee conversation with taxpayers. In the past year, taxpayers have provided feedback on the difference *Quality That Counts* is making in their experience with the Department. See pages 25, 58, 61 and 70 for examples of that feedback.

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LETTER FROM THE COMMISSIONER

October 1, 2008

The Honorable Mitchell E. Daniels, Jr.
Governor, State of Indiana
State House, Room 206
Indianapolis, Indiana 46204-2797

Dear Governor Daniels:

The following document represents the Indiana Department of Revenue's annual report, covering Fiscal Year 2008 (July 1, 2007 – June 30, 2008), as required by Indiana law.

In FY 2008, the Department completed its agency-wide reorganization, which began in FY 2007. By reorganizing, realigning and reallocating staff and responsibilities into centers of excellence according to operational needs, the Department has made considerable headway in delivering *Quality That Counts* – which we define as efficient and effective operations. The Department's improvements in efficiency and effectiveness are evidenced by collection of more outstanding tax debt, processing returns and refunds more rapidly, and answering a higher volume of taxpayer calls more quickly. All of which has been done at about 8-percent less cost than in FY 2005.

The following is a sample of the Department's achievements in FY 2008:

- Collected more than $118 million in outstanding and unfiled trust taxes (sales and withholding).
- Improved customer-service response time by 37 percent.
- Increased overall electronic filing of individual income-tax returns by 22 percent.
- Doubled the amount of business-tax revenue paid through INtax.
- Gathered qualitative feedback from more than 3,000 taxpayers – in FY 2008 alone.
- Developed and delivered training programs and job education to more than 400 employees to date.
- Issued refunds in an average of 4 to 7 days during the 2008 individual filing season.

Yet, as always, there is more to do. We continually remind ourselves that no matter how far we come, there is still much more to do to deliver the best within our purview to the people of Indiana. In FY 2009, the Department will work to put more advanced data-capture and management technology in place, through document imaging and a data warehouse. These improvements will enable the Department to more effectively implement its taxpayer case-management system, to statistically select audits, to reduce the amount of time it takes to remedy taxpayer issues from days to moments, and to more effectively grow revenue through broader and greater taxpayer compliance.

Though we have completed our reorganization, we will continue to evaluate our operations, making changes as necessary to improve efficiency, become more effective in our efforts, deliver better customer service, and ensure we have the right people in the right jobs – with the right technology and training to succeed. As always, we will continue to strive for better results that assist and support the restoration and preservation of Indiana's fiscal health.

Sincerely,

John Eckart

John Eckart, Commissioner

TAXPAYER BILL OF RIGHTS
Public Law 332-1989

Indiana Taxpayer Rights and Responsibilities

All Indiana taxpayers have certain rights and responsibilities that correspond to the Indiana tax laws. The Taxpayer Bill of Rights sets forth these rights and responsibilities for Indiana Taxpayers:

I	Quality taxpayer service
II	Taxpayer Advocate to help taxpayers in the preservation of their rights
III	Taxpayer education and information
IV	A fair collection process
V	Appointed hearing time and representation
VI	Demand notices
VII	Warrants for collection of tax
VIII	Judgment liens against property
I X	Annual public hearing and department report
X	Taxpayer responsibilities

Quality That Counts

In 2006, Department employees suggested and selected a mantra – *Quality That Counts* – to represent the agency's vision, mission and values. Today our employees use that mantra as a compass for the decisions they make and the tasks they perform. As a result, the Department continues to make quality progress toward delivering *Quality That Counts* to the taxpayers of Indiana.

Quality That Counts inspires our VISION – What we want to become

The citizens of Indiana will look upon the Department of Revenue with respect and confidence that it is achieving with distinction its charged obligations.

Quality That Counts drives our MISSION– How we will realize the vision

Administering tax laws in a fair, consistent and efficient manner that supports the state and local budgets, which allow Indiana to be a highly desirable place to live, work and do business.

Quality That Counts embodies our VALUES – How we will conduct ourselves

- Pride - Presenting the best of ourselves and our work.
- Respect - Treating each other, taxpayers and vendors with respect.
- Highest standards - Setting the bar in customer service and ethical behavior.
- Trust - Doing what we say we will do, and doing it right.
- Teamwork - Working in alignment, with pride, respect and trust to achieve the highest standards.

Quality That Counts guides our STRATEGIES – What we will do to achieve our mission

- Customer focused - Considering how our actions and decisions affect the taxpayers and the State of Indiana.
- Efficient - Ensuring we work smart and at the least cost to taxpayers.
- Effective - Striving to offer the best service and the most beneficial results possible - consistently.
- Right people in the right jobs - Ensuring Department employees are people who have the best skills and talents for the job.

Accomplishments, Initiatives and Improvements

As part of the Department's efforts to provide *Quality That Counts*, Revenue completed an agency-wide reorganization in FY 2008 – and that effort is proving to be successful in a number of ways. Most particularly, the Department now operates more efficiently and effectively, evidenced by collection of more outstanding tax debt, processing returns and refunds more rapidly, and answering a higher volume of taxpayer calls more quickly. All of which has been done at about 8-percent less cost than in FY 2005. The following are key areas in which the Department is delivering *Quality That Counts* to the State of Indiana and Hoosier taxpayers:

- **Collections** – In FY 2008, the Department continued to make strides in collecting delinquent taxes. For example, FY 2008 trust-tax collections exceeded $118 million, compared with $100 million in FY 2007. In addition, best-information-available billings registered at $13.7 million in FY 2008, versus $9 million in FY 2007. The Registered Retail Merchant Certificate initiative, made possible by the passage of SEA 362 in 2006, generated more than $9.8 million in FY 2008 as well.

- **Customer Service** – Reallocation and realignment of staff, combined with improved training and job education, has helped the Department become more proficient in resolving taxpayer questions and concerns, and in a more-timely manner. In FY 2008, Department representatives handled more than 351,000 taxpayer phone calls in which 63 percent were answered within two minutes. This is a significant improvement over FY 2007, in which Department representatives answered more than 311,000 taxpayer calls, with only 46 percent answered with two minutes. In all, Department representatives answered 13-percent more calls in FY 2008 than in FY 2007, and improved its response time by 37 percent, compared with FY 2007.

- **Electronic Filing** – Marketing efforts and a 2007 legislative e-filing mandate have worked to spur increased electronic filing overall. In FY 2008, electronic filing of all forms (e-File and I-File) increased by 22 percent compared with FY 2007. To date, electronic filing makes up 61 percent of all state individual income-tax filings in Indiana.

- **I-File** – Marketing efforts and technology improvements continue to drive growth uptake of the state's I-File electronic-filing tool. In FY 2008, I-File usage increased by 15 percent. In addition, survey results from a completed sample of 2,774 taxpayers revealed that 95 percent of I-File users were satisfied/very satisfied with their I-File experience in FY 2008, while 96.6 percent would use I-File again in the future, and 97 percent would recommend it to others.

- **INtax –** Taxpayer feedback continues to drive improvements in INtax, the state's online business-tax filing and payment system. Increased taxpayer activity and the addition of features to file and pay special taxes, such as fuel tax, have driven collections up to $1.2 billion in FY 2008, versus $663 million in FY 2007.

- **Tax Refunds –** Due to the Department reorganization and realignment of division responsibilities and staffing, as well as the increased number of electronically filed returns, Revenue processed taxpayer refunds in an average of 4 to 7 days in FY 2008 – a new record that generated positive feedback from taxpayers across the state.

- **Training** – The Department has developed a comprehensive internal training program to address competencies in key operational functions. To date, more than 400 employees (~ 60%) have benefited from that training. In addition, training maps are being created for each job function to ensure employees know what basic, intermediate and advanced training is necessary to keep step with their individual jobs. This is a major accomplishment, considering that no structured internal training was available to employees at the Department of Revenue in FY 2006.

- **Taxpayer Feedback** – In FY 2008, the Department collected feedback from more than 3,000 taxpayers via surveys and education forums. This feedback has contributed to improvements throughout the Department, from the Motor Carrier Services operations, to INtax, to I-File, to the customer call center and district offices.

- **Protests/Appeals** – The Department's legal division continues to make headway in quickly resolving protest/appeals and inheritance tax audits. In FY 2008, the legal division set a goal to close 540 protest/appeal cases. In actuality, the division closed more than 800.

Quality That Counts in Leadership

1 **Commissioner John Eckart** comes to Indiana government with more than 30 years of private-sector management experience. John has served in several positions of progressively responsible executive roles. He held positions of controller, vice president of finance and executive vice president in subsidiaries of Avatar Utilities, and was responsible for the start-up of its service company Consolidated Water Services, Inc. In 1993, John was named vice president of finance for Indiana American Water Company and in 1997 named president. American Water also elected him in 1999 as president of Ohio American Water and Michigan American Water. John holds his bachelor's degree in finance from the University of Evansville and his master's in business administration from the University of Indianapolis.

2 **Special Tax and Support Administration Deputy Commissioner Jim Poe** came to the Indiana Department of Revenue in 1976. Prior to taking on the responsibility of deputy commissioner of Special Tax and Support Administration, Jim served as the administrator of the Department's Motor Carrier Services division. In February 2006, Jim also was honored with one of the first Governor's Public Service Achievement Awards by Indiana Governor Mitch Daniels. Jim graduated from Indiana State University with his bachelor's in business in 1972.

Quality That Counts in Leadership

3 **Enforcement Deputy Commissioner Jeff Coulter** has more than 30 years of experience as a certified public accountant, specializing in audit, litigation support, forensic accounting, bankruptcy services and public-company accounting and reporting. His experience includes serving as a partner and audit and accounting director for the accounting firm of BGBC Partners of Indianapolis. Jeff holds an undergraduate degree in accounting and business administration from Ball State University and his CPA license.

4 **Tax Administration Deputy Commissioner Joe VanDevender** brings decades of tax-related and business-management experience to Tax Administration. Before coming to the Department, Joe was a primary owner of CIPROMS, Inc., one of the 40 largest medical billing companies in the United States. Joe taught business law and federal income taxes at Indiana University at Kokomo. Joe received his juris doctorate from Indiana University School of Law. He also received his bachelor of science in accounting from Indiana University. Joe currently holds his CPA license and is a member of the American Institute of CPAs and the Indiana CPA Society.

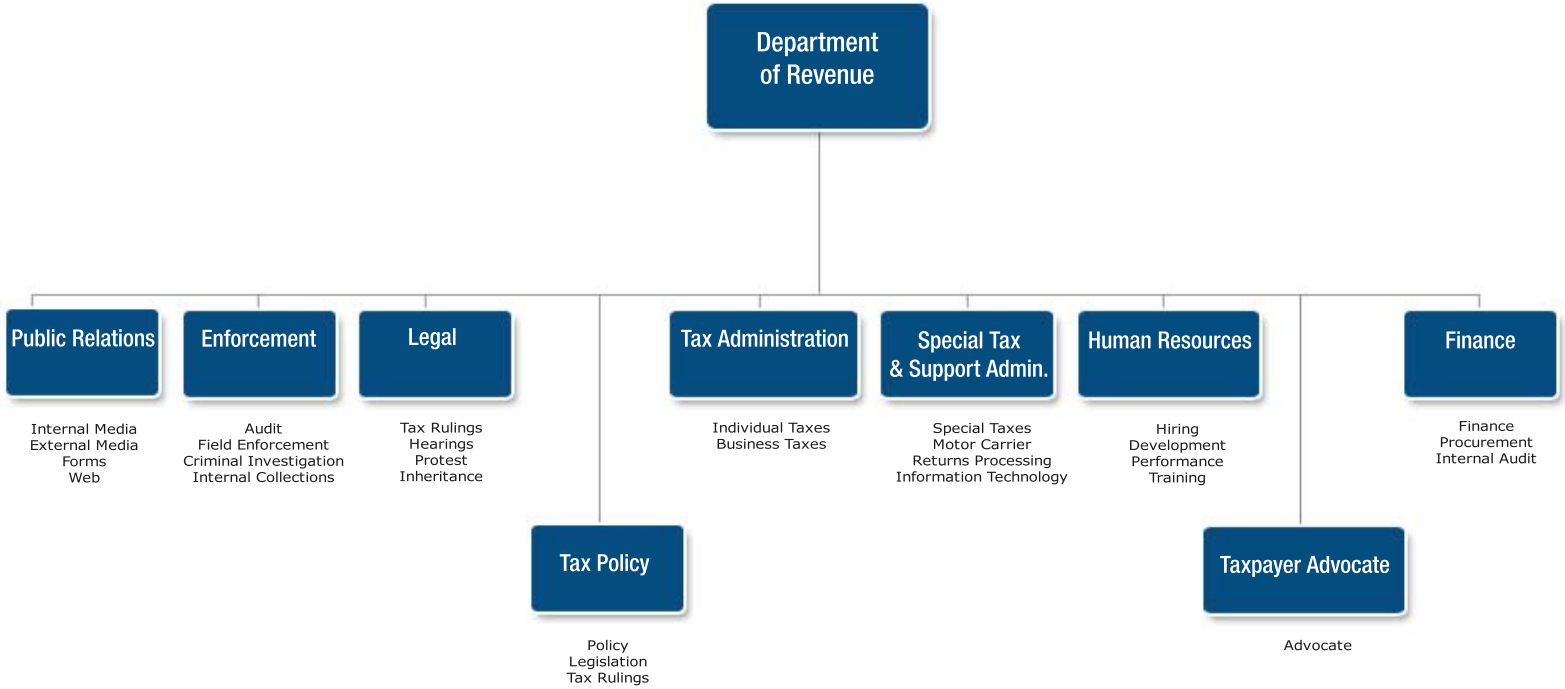
5 **General Counsel Lynne Goodin** brings more than 23 years of business experience to the Department, with specialties in accounting and banking. Lynne has worked at Deloitte & Touche, KeyBank, National City Bank, Fifth Third Bank of Indiana and several banks outside of Indiana. She holds her bachelor of arts degrees in both accounting and finance from the University of Alabama, in addition to her masters of business administration from Duquesne University in Pittsburgh, and her juris doctorate in law from Indiana University School of Law.

6 **Human Resource Director Bill Bahler** brings to the Department more than two decades of broad human resource experience in both public and private-sector companies. After 27 years with Sears Roebuck in executive human resource and store management, Bill branched out to hold vice president and senior-level HR positions at organizations such as American Water Company, Primetech Inc., H.H. Gregg Appliance, Inc, and Sun TV and Appliances. Bill holds a bachelor's degree in industrial management from Purdue University.

7 **Finance Director Darrel Anderson** brings more than 20 years of business experience to the Department, specifically cost/general accounting, strategic planning, research and analysis. Before coming to the Department, Darrel served as finance vice president for Union City Body Company and the Commercial Marketing Group of Work Horse Custom Chassis in Union City, Ind., and as managerial consultant for RHI Management Resources in Cleveland, Ohio. Darrel holds a master of accountancy from the University of Missouri and a bachelor of arts in business administration from MidAmerica Nazarene University. Darrel is also a certified management accountant.

8 **Public Relations Director Stephanie McFarland** is a 19-year veteran of the public-relations profession. Stephanie has honed her skills and judgment throughout the years at mid-size and Fortune 500 corporations like Indianapolis Power and Light Company, Eli Lilly and Company and Sallie Mae. Stephanie is an accredited public relations professional through the Public Relations Society of America, and a certified crisis-communication consultant. She holds a bachelor's degree in English from Indiana University, as well as a master's of science in communication management from Syracuse University in New York.

Departmental Organizational Structure



2007-2008 *Quality That Counts* Award Recipients

To strive for *Quality That Counts* means to go above-and-beyond. Taking a cue from Gov. Mitch Daniels, who instituted a statewide spot-bonus program in 2006, the Department recognizes its employees who demonstrate *Quality That Counts*. For superior, out-of-the-ordinary performance in their daily work and special projects, agency employees are nominated and, if selected by a peer committee, receive the *Quality That Counts* Award – a one-time monetary bonus of $100 to $1,000.

The Department recognized the following individuals and teams during FY 2008 with *Quality That Counts* Awards:

Field Examiner **Lisa Lafferty**
Tax Analyst **Patty Dunn**
Web Master **Anita Walton** (p. 12)
Communication Supervisor **Michele Brackemyre** (p. 22)
Audit Reviewer **Andrea Hamilton**
Advocacy Supervisor **Tammy Jones**
Advocate Specialist **Carla Bracken**
Advocate Specialist **Patrick Gallagher**
Advocate Specialist **Iris Griggs**
Advocate Specialist **Kay Maxey**
Advocate Support **Melissa Webb**
Frontline Training Program Director **Deborah Schonfeld** (p.55)

Quatlity That Counts **Spotlight**

Anita Walton

When the property-tax issue first surfaced, a multi-agency effort was needed to help taxpayers and the news media understand how the state's property-tax system worked. Webmaster **Anita Walton** was instrumental in this effort by helping to establish a highly sophisticated database that taxpayers can use to find tax-assessment values on any property in the state of Indiana. "She missed lunches, stayed late, came in early, and did generally whatever was necessary to keep the public informed," said Director of Public Relations Stephanie McFarland.

Indiana Tax Descriptions and Receipts

All amounts are in thousands. Percentage change reflects increase from FY07 to FY08, unless otherwise indicated. Significant differences reflected in the tax receipts for FY06 may be due to Indiana Tax Amnesty.

Aircraft License Excise Tax

Excise tax, due at the time of registration, is determined by weight, age and type of aircraft. All excise tax is distributed to the county where the aircraft is usually located, when not in use.

FY98	$ 381.8	FY02	$ 548.9	FY06	$592.6
FY99	$ 392.9	FY03	$ 649.7	FY07	$580.1
FY00	$ 430.0	FY04	$ 641.8	**FY08**	**$617.9**
FY01	$ 513.8	FY05	$ 753.4	**CHANGE**	**6.52%**

Alcoholic Beverage Tax

Per gallon rates are as follows: beer, $.115; liquor/wine (21 percent alcohol or more), $2.68; wine (less than 21 percent alcohol), $0.47; mixed beverages (14 percent or less), $0.47.

FY98	$ 33,087.8	FY02	$ 37,458.3	FY06	$ 40,529.6
FY99	$ 35,148.9	FY03	$ 37,678.6	FY07	$ 39,704.3
FY00	$ 36,240.5	FY04	$ 38,509.2	**FY08**	**$ 44,707.8**
FY01	$ 36,597.8	FY05	$ 38,719.4	**CHANGE**	**12.60%**

Auto Rental Excise Tax

Rates are based on the gross retail income from the rental of a vehicle weighing less than 11,000 pounds for less than a 30-day period at a rate of 4 percent.

FY98	$ 8,047.7	FY02	$ 9,126.7	FY06	$ 9,889.1
FY99	$ 8,914.0	FY03	$ 9,500.9	FY07	$ 9,727.3
FY00	$ 8,101.9	FY04	$ 8,940.9	**FY08**	**$ 10,478**
FY01	$ 9,846.8	FY05	$ 8,840.8	**CHANGE**	**7.72%**

Charity Gaming Excise Tax

Tax based on the sale of pull tabs, punchboards and tip boards to qualified organizations licensed for charity gaming at a rate of 10 percent of the wholesale price. Remitted by the licensed distributor or manufacturer (not the organization).

FY98	$ 1,222.7	FY02	$ 1,382.5	FY06	$ 1,384.4
FY99	$ 1,313.1	FY03	$ 1,311.9	FY07	$ 1,428.7
FY00	$ 1,211.1	FY04	$ 1,231.5	**FY08**	**$ 1,250.4**
FY01	$ 1,521.0	FY05	$ 1,244.4	**CHANGE**	**-12.48%**

Cigarette/Other Tobacco Tax

Levied against cartons or packs of cigarettes and cigarette papers, wrappers and tubes at the following rates: pack of 20 cigarettes, $0.995; pack of 25 cigarettes, $1.24375; other tobacco products, 24 percent of wholesale price.

FY98	$ 127,969.1	FY02	$ 123,214.8	FY06	$355,525.0
FY99	$ 127,634.1	FY03	$ 352,375.1	FY07	$ 367,632.4
FY00	$ 125,151.5	FY04	$ 338,715.7	**FY08**	**$ 525,282.4**
FY01	$ 120,827.4	FY05	$ 343,077.9	**CHANGE**	**42.88%**

Controlled Substance Excise Tax

Imposes a tax on illegally delivered, manufactured or possessed controlled substances. (Prescription pharmaceuticals are exempt.) Tax based on the weight and schedule of substance. Rates vary from $3.50 to $40 per gram. Once paid, a taxpayer who can remain anonymous is given a receipt for the tax, which is valid for three days. The payment of this tax does not legalize the controlled substance or the activity associated with it.

FY98	$ 101.2	FY02	$ 44.4	FY06	$ 352.6
FY99	$ 55.5	FY03	$ 82.5	FY07	$ 53.5
FY00	$ 60.2	FY04	$ 33.9	**FY08**	$ 167.6
FY01	$ 86.5	FY05	$ 30.4	**CHANGE**	**213.27%**

Corporate Adjusted Gross Income Tax

The adjusted gross income tax was increased from 3.4 percent to 8.5 percent on Jan. 1, 2003.

FY98	$ 950,488.6	FY02	$ 687,877.6	FY06	$ 796,118.2
FY99	$ 1,006,572.4	FY03	$ 307,178.8	FY07	$ 746,392.9
FY00	$ 950,323.9	FY04	$ 443,078.0	**FY08**	**$ 661,217.4**
FY01	$ 842,546.3	FY05	$ 608,370.0	**CHANGE**	**-11.41%**

County Adjusted Gross Income Tax (CAGIT)

Tax determined locally for county residents or nonresidents whose principal place of employment is within a county which imposes the tax. Rates vary. (A county may adopt either the County Adjusted Gross Income Tax or the County Option Income Tax, but not both.)

FY98	$ 254,264.0	FY02	$ 343,479.4	FY06	$ 388,450.7
FY99	$ 265,759.0	FY03	$ 321,835.7	FY07	$ 428,978.0
FY00	$ 284,537.8	FY04	$ 343,586.3	**FY08**	**$ 440,191.1**
FY01	$ 308,062.2	FY05	$ 338,871.6	**CHANGE**	**2.61%**

County Economic Development Income Tax (CEDIT)

Tax determined locally for county residents or nonresidents whose principal place of employment is within a county which imposes the tax. Rates vary.

FY98	$ 97,879.2	FY02	$ 160,225.3	FY06	$ 238,804.3
FY99	$ 112,551.9	FY03	$ 146,937.1	FY07	$ 254,053.8
FY00	$ 121,817.0	FY04	$ 172,682.2	**FY08**	**$ 257,289.3**
FY01	$ 140,547.2	FY05	$ 159,007.6	**CHANGE**	**1.27%**

County Innkeepers Tax (CIT)

Tax determined locally on the gross income derived from lodging income. Tax may be collected either by the Department or locally through the county treasurer's office.

FY98	$ 18.962.8	FY02	$ 22,586.8	FY06	$ 36,357.7
FY99	$ 20,251.1	FY03	$ 24,043.4	FY07	$ 37,940.7
FY00	$ 21,077.4	FY04	$ 24,410.5	**FY08**	**$ 42,488.7**
FY01	$ 24,073.7	FY05	$ 26,120.3	**CHANGE**	**11.99%**

County Option Income Tax (COIT)

Tax determined locally for county residents or nonresidents whose principal place of employment is within a county which imposes the tax. Rates vary. (A county may adopt the County Option Income Tax or the Country Adjusted Gross Income Tax, but not both.)

FY98	$ 344,646.5	FY02	$ 497,555.7	FY06	$ 492,320.2
FY99	$ 368,343.2	FY03	$ 463,054.0	FY07	$ 524,919.6
FY00	$ 394,089.4	FY04	$ 424,603.1	**FY08**	**$ 664,023.6**
FY01	$ 437,437.3	FY05	$ 401,887.5	**CHANGE**	**26.50%**

Estate Tax

Based on the difference between the state death tax credit allowed at the federal level and the amount paid in state inheritance tax. Federal estate tax credit for state calculations is being phased out, resulting in the reduction in Indiana estate tax paid.

FY98	$ 11,241.3	FY02	$ 17,979.7	FY06	$ (68.5)*
FY99	$ 24,700.4	FY03	$ 32,264.5	FY07	$ (32.2)*
FY00	$ 21,022.0	FY04	$ 7,732.4	**FY08**	**$ 62.6**
FY01	$ 28,936.1	FY05	$ 2,085.2	**CHANGE**	**294.41%**

** With the phase out of Estate Tax collection, resident and nonresident estate-tax amounts due to the state decreased, while refunds of those taxes increased. These events resulted in a negative net amount of revenue.*

Financial Institutions Tax

Based on the federal adjusted gross income at a rate of 8.5 percent for businesses which are engaged in extending credit, leasing (when it is the economic equivalent of extending credit) or credit card operations.

FY98	$ 95,967.3	FY02	$ 63,644.4	FY06	$ 87,229.7
FY99	$ 81,883.8	FY03	$ 123,444.4	FY07	$ 76,355.5
FY00	$ 79,365.8	FY04	$ 79,608.6	**FY08**	**$ 64,063.8**
FY01	$ 55,594.3	FY05	$ 91,977.7	**CHANGE**	**-16.10%**

Food and Beverage Tax

Tax determined locally for purchases of food and beverages for immediate consumption at a rate of 1 percent of retail sales price. Marion County's rate is 2 percent.

FY98	$ 23,683.5	FY02	$ 27,859.6	FY06	$ 54,266.2
FY99	$ 23,574.1	FY03	$ 27,842.3	FY07	$ 62,596.3
FY00	$ 26,021.0	FY04	$ 29,550.2	**FY08**	**$ 63,975.7**
FY01	$ 26,438.9	FY05	$ 30,370.8	**CHANGE**	**2.20%**

Gasoline Tax

The gasoline tax is $.18 per gallon for all invoiced gallons of gasoline collected by the licensed distributor and added to the selling price.

FY98	$ 455,569.6	FY02	$ 480,808.9	FY06	$ 570,490.2
FY99	$ 466,427.9	FY03	$ 518,295.6	FY07	$ 570,628.7
FY00	$ 464,152.8	FY04	$ 582,610.7	**FY08**	**$ 554,041.4**
FY01	$ 493,684.2	FY05	$ 579,675.0	**CHANGE**	**-2.91%**

Hazardous Waste Disposal Tax

Based on the amount of hazardous waste placed in a disposal facility or by means of underground injection at a rate of $11.50 per ton.

FY98	$ 2,603.0	FY02	$ 1,304.5	FY06	$ 3,178.9
FY99	$ 1,744.7	FY03	$ 1,122.6	FY07	$ 2,251.2
FY00	$ 1,770.1	FY04	$ 1,219.2	**FY08**	**$ 1,378.0**
FY01	$ 1,542.5	FY05	$ 3,281.3	**CHANGE**	**-38.79%**

Individual Adjusted Gross Income Tax

Based on the federal adjusted gross income with numerous adjustments for individual residents, partners, stockholders in S corporations, trusts, estates and nonresidents with Indiana income sources at a rate of 3.4 percent

FY98	$ 3,433,445.9	FY02	$ 3,540,819.1	FY06	$ 4,381,548.1
FY99	$ 3,699,316.6	FY03	$ 3,644,159.4	FY07	$ 4,580,441.2
FY00	$ 3,753,339.5	FY04	$ 3,807,860.9	**FY08**	**$ 4,825,692.6**
FY01	$ 3,779,805.4	FY05	$ 4,213,210.2	**CHANGE**	**5.35%**

Inheritance Tax

Based on the taxpayer class (transferee's relationship to deceased); property's taxable value; residency status; and situs of real and tangible property and intangible property.

FY98	$ 113,141.7	FY02	$ 123,905.6	FY06	$ 148,976.6
FY99	$ 124,011.8	FY03	$ 165,710.5	FY07	$ 150,322.2
FY00	$ 119,198.1	FY04	$ 132,262.8	**FY08**	**$ 165,518.6**
FY01	$ 134,748.2	FY05	$ 150,315.5	**CHANGE**	**10.11%**

Marion County Admissions Tax

Specific to the RCA Dome, Victory Field and Conseco Fieldhouse in Indianapolis for any event at a rate of 6 percent of the admission price (does not include events sponsored by education institutions, religious or charitable organizations.)

FY98	$ 931.4	FY02	$ 4,247.0	FY06	$ 6,273.3
FY99	$ 1,209.9	FY03	$ 4,457.0	FY07	$ 6,689.6
FY00	$ 4,567.5	FY04	$ 5,041.8	**FY08**	**$ 6,491.9**
FY01	$ 4,527.7	FY05	$ 5,212.6	**CHANGE**	**-2.96%**

Marion County Supplemental Auto Rental Excise Tax

Based on the gross retail income from the rental of passenger motor vehicles and trucks in Marion County for less than a 30-day period at a rate of 4 percent. Revenue from the tax is paid to the Capital Improvement Board of Managers.

FY98	$ 1,330.1	FY02	$ 1,950.4	FY06	$ 3,319.7
FY99	$ 1,667.8	FY03	$ 1,772.5	FY07	$ 4,126.0
FY00	$ 1,658.7	FY04	$ 1,827.3	**FY08**	**$ 4,599.9**
FY01	$ 1,883.7	FY05	$ 1,941.3	**CHANGE**	**11.49%**

Motor Carrier Fuel Tax

Per gallon rate of $0.16 for all motor fuel used by commercial motor carriers operating on Indiana highways.

FY98	$ 9,869.4	FY02	$ 5,068.7	FY06	$ 3,481.2
FY99	$ 7,039.4	FY03	$ 5,186.2	FY07	$ 3,295.0
FY00	$ 5,745.2	FY04	$ 6,759.4	**FY08**	**$ 1,395.2**
FY01	$ 3,727.0	FY05	$ 6,034.3	**CHANGE**	**-57.66%**

Motor Carrier Surcharge Tax

Per gallon rate of $0.11 for all motor fuel used by commercial motor carriers operating on Indiana highways.

FY98	$ 93,552.6	FY02	$ 79,466.6	FY06	$ 91,040.2
FY99	$ 90,232.4	FY03	$ 79,540.8	FY07	$ 100,613.0
FY98	$ 93,552.6	FY04	$ 85,343.2	**FY08**	**$ 91,756.8**
FY00	$ 76,747.4	FY05	$ 84,280.2	**CHANGE**	**-8.80%**

Motor Vehicle Excise Tax

Specific compliance program authorized by statute aimed at locating vehicles owned by Indiana residents and registered illegally out of state, thus avoiding state vehicle excise tax. Based on the age and class of vehicle, plus penalty and interest for the time period vehicle is illegally registered. (Except for this program, motor vehicle excise tax is otherwise collected by the Bureau of Motor Vehicles.)

FY98	$ 468.6	FY02	$ 14.1	FY06	$ 175.1
FY99	$ 281.4	FY03	$ 10.9	FY07	$ 31.3
FY00	$ 122.1	FY04	$ 11.2	**FY08**	$ 9.9
FY01	$ 20.4	FY05	$ 148.6	**CHANGE**	**-68.37%**

Pari-Mutual Admission Tax

Imposed at $0.20 for each person who pays an admission charge to a racetrack grounds or satellite facility.

FY98	$ 29.6	FY02	$ 13.9	FY06	$ 4.1
FY99	$ 26.0	FY03	$ 9.7	FY07	$ 3.5
FY00	$ 21.4	FY04	$ 8.0	**FY08**	**$ 1.7**
FY01	$ 18.3	FY05	$ 3.7	**CHANGE**	**-51.43%**

Pari-Mutual Wagering Tax

A 2-percent levy is imposed on the total amount of money wagered on online races and simulcasts conducted at a permit holder's racetrack. The tax is 2.5 percent of the total amount of money wagered on simulcasts from satellite facilities.

FY98	$ 3,499.1	FY02	$ 3,537.4	FY06	$ 4,398.8
FY99	$ 3,648.5	FY03	$ 3,744.8	FY07	$ 4,188.3
FY00	$ 3,751.7	FY04	$ 4,154.2	**FY08**	**$ 4,077.0**
FY01	$ 3,534.3	FY05	$ 4,515.1	**CHANGE**	**-2.66%**

Petroleum Severance Tax

Levied against producers or owners of crude oil or natural gas and imposed at the time these products are removed from the ground at a rate equal to the greater of either 1 percent of the petroleum value, or $0.03 per 1,000 cubic feet for natural gas and $0.24 per barrel of oil.

FY98	$ 642.5	FY02	$ 579.8	FY06	$ 1,161.4
FY99	$ 506.3	FY03	$ 517.2	FY07	$ 1,153.2
FY00	$ 467.0	FY04	$ 557.5	**FY08**	**$ 1,680.4**
FY01	$ 565.3	FY05	$ 928.8	**CHANGE**	**45.72%**

Public Utility Tax (Railroad Car Companies/Railroads)

Based each year on assessments by the Indiana Department of Local Government Finance on the indefinite-situs distributable property of a railroad company that provides service within a commuter transportation district.

FY98	$ 5,080.2	FY02	$ 5,020.5	FY06	$ 4,255.1
FY99	$ 5,786.7	FY03	$ 5,815.5	FY07	$ 4,540.8
FY00	$ 5,996.7	FY04	$ 3,596.9	**FY08**	**$ 5,250.4**
FY01	$ 8,586.6	FY05	$ 3,281.8	**CHANGE**	**15.63%**

Riverboat Admissions Tax

Specific to any licensed riverboat on Indiana waterways at a rate of $3 per person admitted.

FY98	$ 90,921.4	FY02	$ 127,769.1	FY06	$ 81,095.2
FY99	$ 110,745.4	FY03	$ 80,553.4	FY07	$ 83,758.3
FY00	$ 116,565.6	FY04	$ 80,684.6	**FY08**	**$ 79,837.4**
FY01	$ 118,630.0	FY05	$ 80,926.2	**CHANGE**	**-4.68%**

Riverboat Wagering Tax

If a licensed riverboat does not have flexible scheduling (dockside gaming), a tax of 22.5 percent is levied against its adjusted gross receipts (total wagers, less payouts, less uncollected gaming receivables). If the boat has implemented flexible scheduling, the tax rate is graduated and ranges from 15 percent to 35 percent, depending on the adjusted gross receipts.

FY98	$ 231,890.1	FY02	$ 381,814.2	FY06	$ 718,082.3
FY99	$ 295,181.4	FY03	$ 586,437.0	FY07	$ 763,913.0
FY00	$ 328,200.8	FY04	$ 679,482.9	**FY08**	**$ 730,404.4**
FY01	$ 349,092.0	FY05	$ 709,573.2	**CHANGE**	**-4.39%**

Sales and Use Tax

Seven percent on purchases of tangible personal property, public utility service and some rental transactions, which is collected at the retail level.

FY98	$ 3,278,755.6	FY02	$ 3,798,489.0	FY06	$ 5,336,782.3
FY99	$ 3,414,847.5	FY03	$ 4,210,262.5	FY07	$ 5,423,496.6
FY00	$ 3,687,291.7	FY04	$ 4,759,445.3	**FY08**	**$ 5,738,830.4**
FY01	$ 3,723,138.6	FY05	$ 5,001,048.9	**CHANGE**	**5.81%**

Special Fuel Tax

A license tax of $0.16 per gallon imposed on all special fuel sold or used in producing or generating power for propelling motor vehicles.

FY98	$ 151,245.0	FY02	$ 170,308.4	FY06	$ 196,812.7
FY99	$ 161,779.4	FY03	$ 172,712.6	FY07	$ 196,209.4
FY00	$ 186,794.0	FY04	$ 183,826.1	**FY08**	**$ 199,688.4**
FY01	$ 151,335.7	FY05	$ 193,127.5	**CHANGE**	**1.77%**

Utility Receipts Tax

The Utility Receipts Tax is 1.4-percent on gross receipts from retail utility sales. ***(NOTE:*** Fiscal Year 2003 figures include only one-half of a fiscal year.)

FY98	-------	FY02	-------	FY06	$ 206,380.1
FY99	-------	FY03	$ 75,907.7	FY07	$ 200,305.0
FY00	-------	FY04	$ 167,401.1	**FY08**	**$ 215,332.6**
FY01	-------	FY05	$ 170,814.6	**CHANGE**	**7.50%**

Utility Services Use Tax

The utility services use tax is an excise tax imposed on the retail consumption of utility services in Indiana. The rate is 1.4 percent and is imposed if the utility service provider is not subject to the utility receipts tax.

FY98	-------	FY02	-------	FY06	-------
FY99	-------	FY03	-------	FY07	$ 9,405.8
FY00	-------	FY04	-------	**FY08**	**$ 12,917.7**
FY01	-------	FY05	-------	**CHANGE**	**37.34%**

Miscellaneous Fees:

Aircraft Registration Fee

All Indiana aircraft are required to be registered with the aeronautics section of the tax administration division, where an annual $10 registration/transfer fee is collected. An additional fee of $20 or 20-percent (whichever is greater) of any unpaid excise tax is charged on all late registrations. There is also an annual aircraft dealers fee of $25.

FY98	$ 70.2	FY02	$ 94.5	FY06	$ 76.9
FY99	$ 65.1	FY03	$ 76.5	FY07	$ 74.8
FY00	$ 79.6	FY04	$ 75.1	**FY08**	**$ 87.0**
FY01	$ 118.9	FY05	$ 100.5	**CHANGE**	**16.31%**

Charity Gaming Licensing Fee

Licensing fee for qualified organizations is $50 for the first license. The second license for the same charity gaming activity is based on gross receipts of the previous event. The annual license fee for distributors or manufacturers is $5,000. This fee is currently collected by the gaming commission.

FY98	$ 3,950.1	FY02	$ 4,282.5	FY06	$ 4,040.5
FY99	$ 4,264.6	FY03	$ 4,208.7	FY07	$ 0.4
FY00	$ 4,328.0	FY04	$ 4,038.9	**FY08**	**$ 0.0**
FY01	$ 4,303.4	FY05	$ 4,020.0	**CHANGE**	**-100.00%**

Employment Agency Licensing Fee

A person, firm or corporation opening, operating or maintaining an employment agency must pay an annual $150 fee for each license.

FY98	$ 53.1	FY02	$ 57.9	FY06	$ 35.4
FY99	$ 51.3	FY03	$ 49.7	FY07	$ 42.5
FY00	$ 51.6	FY04	$ 43.8	**FY08**	**$ 39.6**
FY01	$ 54.5	FY05	$ 51.5	**CHANGE**	**-6.82%**

Fireworks Public Safety Fee

A fee of 5 percent of the retail price of fireworks sold in Indiana.

FY98	-------	FY02	-------	FY06	-------
FY99	-------	FY03	-------	FY07	$ 2,434.5
FY00	-------	FY04	-------	**FY08**	**$ 2,558.7**
FY01	-------	FY05	-------	**CHANGE**	**5.10%**

Hazardous Chemical Fee

An annual fee is imposed on a facility which must submit to the state an emergency and hazardous chemical inventory form. Fees are $50, $100 or $200, depending on the volume of hazardous chemicals present at the facility during the year.

FY98	$ 623.1	FY02	$ 573.4	FY06	$ 588.5
FY99	$ 576.4	FY03	$ 581.7	FY07	$ 513.8
FY00	$ 546.2	FY04	$ 662.0	**FY08**	**$ 564.2**
FY01	$ 511.3	FY05	$ 689.3	**CHANGE**	**9.81%**

International Registration Plan (IRP) Licensing Fee

Licensing fee for motor carriers based on miles driven in specific jurisdictions.

FY98	$ 71,577.9	FY02	$ 80,293.7	FY06	$ 88,147.4
FY99	$ 75,941.9	FY03	$ 82,395.1	FY07	$ 87,799.9
FY00	$ 89,320.1	FY04	$ 86,454.0	**FY08**	**$ 90,181.2**
FY01	$ 76,728.7	FY05	$ 95,593.6	**CHANGE**	**2.71%**

Oversize /Overweight Permit Fee

Various categories of permits for motor carriers that are issued for different periods of time, based upon a vehicle's specific dimension and/or size and the travel activity. Fees can range from $10 to more than $400.

FY98	$ 11,252.7	FY02	$ 11,849.5	FY06	$ 13,001.5
FY99	$ 11,528.3	FY03	$ 11,041.1	FY07	$ 10,907.3
FY00	$ 12,782.3	FY04	$ 11,498.9	**FY08**	**$ 15,475.1**
FY01	$ 12,358.6	FY05	$ 12,090.5	**CHANGE**	**41.88%**

Solid Waste Management Fee

Imposed on the disposal or incineration of solid waste in a final disposal facility within the state at a rate of $.50 per ton of waste generated in the state. For solid waste generated outside the state, the rate is the greater of $.50 per ton or the cost per ton of disposing the solid waste, including the tipping fees and state and local government fees, in the final disposal facility that is closest to the area in which the solid waste was generated, minus the fee actually charged for the disposal or incineration of the solid waste by the owner or operator of the final disposal facility.

FY98	$ 4,623.0	FY02	$ 4,320.3	FY06	$ 5,309.8
FY99	$ 4,612.7	FY03	$ 4,002.8	FY07	$ 5,207.0
FY00	$ 4,516.8	FY04	$ 4,358.6	**FY08**	**$ 4,858.6**
FY01	$ 4,318.0	FY05	$ 5,173.2	**CHANGE**	**-6.69%**

Underground Storage Tank Fee

An annual fee of $200 per tank is imposed on owners of underground storage tanks. In addition, there is an annual registration fee of $90 for each underground petroleum storage tank, and $45 for each underground storage tank containing regulated substances other than petroleum.

FY98	$ 28,758.2	FY02	$ 24,306.6	FY06	$ 50,454.5
FY99	$ 26,409.5	FY03	$ 35,992.1	FY07	$ 51,212.5
FY00	$ 27,709.5	FY04	$ 32,065.1	**FY08**	**$ 52,990.7**
FY01	$ 32,467.5	FY05	$ 29,396.5	**CHANGE**	**3.47%**

Waste Tire Management Fee

A $0.25 tire fee is assessed on each new tire sold at the retail level and each new tire mounted on a vehicle at the time a vehicle is sold. It is imposed on tires for self-propelled motor vehicles only.

FY98	$ 1,253.6	FY02	$ 613.8	FY06	$ 1,261.4
FY99	$ 1,963.8	FY03	$ 1,079.3	FY07	$ 1,768.2
FY00	$ 3,203.6	FY04	$ 1,612.0	**FY08**	**$ 1,512.8**
FY01	$ 911.8	FY05	$ 1,860.0	**CHANGE**	**-14.44%**

Areas of Recurring Taxpayer Noncompliance

Returns Processing Center (RPC)

The vast majority of returns and forms sent to the Department of Revenue each year are prepared correctly, and the Department has been able to process them using the latest technology available. We receive in excess of 5 million documents to be processed. Some of those items are received with incomplete information or no basic information from the taxpayer. It then becomes the Department's responsibility to make decisions about what to do with the information or money it has received. The Department strives each year to process the returns and checks more efficiently and accurately, and in less time.

To do this, the Department needs the mutual cooperation of Indiana taxpayers and their preparers to help identify where they can eliminate errors before they get to the Department. The agency also is committed to identifying and resolving internal flaws that result in filing and processing errors. The following is a listing of the most common filing errors found in the tax-filing process:

Duplication of filing – Duplicate filing occurs usually when a taxpayer files a return electronically and then sends the Department a paper copy of the return, along with the payment or as an informational return. Once this duplicate filing is identified, an employee must go into the system to mark the second filing as "information only" to ensure accuracy.

Calculation errors – When a calculation error is detected, it will cause the Department system to flag the return. An employee must review the return and determine if the error is truly a calculation error, a problem with how the information was interpreted in the data-capture process, or if the information was placed on an incorrect form line, which may cause the columns on the tax return to total incorrectly. Once the error has been determined, the return will post properly.

Claiming credits incorrectly – It is common for a credit to be claimed when it cannot be substantiated or the proper documentation is not included with the return. This causes the credit to be denied or an employee must contact the taxpayer to provide the information.

Quatlity That Counts **Spotlight**

Michele Brackemyre

For all of summer 2007, Communication Supervisor **Michele Brackemyre** kept one hand on her Revenue responsibilities, and the other on a flood of incoming media calls on the property-tax issue. Handling more than 80 media calls – 20 in one day alone – Brackemyre's diligent work in this multi-agency effort and willingness to go the extra mile earned her a *Quality That Counts* Award. "The willingness to pitch in to get the job done made a tremendous difference," said DLGF Commissioner Cheryl Musgrave.

Failure to complete a tax return or filing – When returns are received without all of the necessary information, it may generate a letter or telephone call to the taxpayer to determine how to proceed with processing the documents and any associated monies. If there is enough information to post the return, but all the lines on the return have not been completed, then a refund cannot be issued until the required information is received from the taxpayer. If a taxpayer files a return requesting a refund, yet fails to provide copies of W-2 forms, the taxpayer can expect to receive the tax return back with a letter requesting these forms before the return can be processed. All of the W-2 forms must be received before the Department can grant any withholding credits.

Use of non-departmental payment coupons – The Department provides taxpayers with automation-friendly coupons, according to tax type, for many of the taxes due to the state. These coupons are preprinted with information regarding the taxpayer name, account number, tax type and the period for which the coupon is being filed. The information about the taxpayer is included in the scan line at the bottom of the coupon. The automation-friendly equipment used to process the document and money will then read the information from the scan line and post the information accordingly. If these coupons are not used correctly, or are used by a taxpayer for another account number, it will cause the return and payment to be posted to the incorrect account. Therefore, if a taxpayer does not have the correct documents for the account printed out of a software package or provided by the Department, the taxpayer will need to contact a Department taxpayer representative to have the coupon replaced, or to receive instructions as to how the payment should be processed to ensure proper posting.

Post-filing coupons (PFC) – For the past 10 years, the Department has worked with a number of software vendors to allow taxpayers to file individual income-tax returns electronically. As a part of this effort between the Department and software vendors, taxpayers can file electronically as early in the year as they prefer, yet delay payment until the filing deadline date. Therefore, the PFC was developed according to Department standards so that automation-friendly coupons may be generated from software packages at home or by the tax preparer. This practice has become widespread during the past 10 years, but with that success has come one distinct problem: the scan line printed from the software is not printed in OCR-A Extended font. The user can download this font, or the software vendor can hard-code it into the program. However, this must be completed for the Department can read the information correctly to ensure accuracy.

IT-9, extension payment vouchers – The Department asks taxpayers not to file these forms if there is no tax due, or if the taxpayer is not sending a payment. The receipt of this form without a payment, or if no payment is due, will not extend the period to file the tax return.

Failure to file the proper application and/or register with the Department – If a taxpayer has not provided the proper information to register a business, the Department will contact the taxpayer if a check or tax return is received for payment of taxes.

Reporting errors – Reporting errors are received on virtually every type of tax return – including, but not limited to, income, sales, fuel, cigarette, and motor carrier tax types. Typical errors include, but are not limited to, the form not being signed, no identifying account number, the wrong form or form revision being used, missing schedules, lack of documentation, duplication of a credit or deduction, failure to calculate county tax. These errors may result in the form being returned to the taxpayer, a representative from the Department contacting the customer, a bill being generated for the amount of perceived tax due and/or the inability to post the return and or payment properly.

Audit Division Statistical Study

The Audit Division Statistical Study addresses the requirements set forth by IC 6-8.1-14-4 (2). The information is based on 100 percent of the audits completed, taxpayers assisted and special projects conducted during fiscal year 2008.

See page 31 for an index of exhibits and charts included.

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- Gross Income Tax Violations, p. **25**
- Sales/Use Tax Violations, p. **25**
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Taxpayers served in district offices

Taxpayer assistance is available in all district offices. Each office has a taxpayer assistance supervisor and assistant taxpayer assistance supervisor who perform taxpayer-service functions, as well as other office-support responsibilities. Each office has at least one field investigator who supports taxpayer assistance and performs collection functions in the district. Contract employees are available throughout the year to support taxpayer assistance.

The *Taxpayer Assistance Report-Fiscal Year 2008* (Exhibit A) provides the number of taxpayers assisted (in person and by telephone) and the amount of money collected and assessed in each office through the taxpayer-assistance program. Exhibit A reveals that during fiscal year 2008, district offices assisted 150,297 taxpayers in person and 161,102 taxpayers through telephone contact. Total taxpayers served through the district offices were 311,399. The district office in Kokomo served 20,886 taxpayers in person, the highest number of any district office. The Clarksville district office served 19,338 taxpayers in person, the second highest total.

The Merrillville district office served 20,451 taxpayers by telephone while the Kokomo district office served 19,980 taxpayers by telephone. This was the highest number of telephone contacts among the district offices, totaling 25-percent of total taxpayer telephone contacts. The Kokomo district office served a total of 40,866

taxpayers by telephone and walk-in assistance, while Clarksville served 38,134 taxpayers by telephone and walk-in assistance.

Field Auditors Taxpayer Assistance/Special Projects (Exhibit B) provides the number of hours field auditors devoted in the district offices to assist taxpayers and conduct special projects. The exhibit reveals that 1,904 auditor hours were channeled in this direction. This reflects a reduction (a positive change) from 3,706 hours in the previous year. The objective is to help field auditors and taxpayer audits as much as possible.

Gross income tax violations

For audits conducted in FY 2008, the most-frequently-violated-gross-income-tax rule was 45 IAC 1.1-2-4. Rule 2-4 defines taxable high-rate income of utilities, display advertising, sale of real estate, rentals and extension of credit. This rule accounted for 25 violations, or 25 percent of all violations of gross-income-tax rules in FY 2008. For audits conducted in 2007 Rule 2-4 accounted for the most violations with 25, or 25 percent. For audits conducted in 2006 Rule 2-4 accounted for the most violations with 26 (or 17 percent).

The second-most-violated-gross-income-tax rule for FY 2008 was 45 IAC 1.1-2-5. Rule 2-5 defines gross income derived from providing services within Indiana. This rule accounted for 11, or 23 percent of all gross-income-tax violations for FY 2008. Ranking second in gross income tax violations for 2007 were 45 IAC 1.1-2-2 and 45 IAC 1.1-2-5 equally. Rule 2-2 defines taxable low-rate gross income of retail and wholesale sales, display advertising, dry cleaning and laundry service, rental of water softening equipment, rental of rooms, lodging, booths and similar accommodations and commercial printing. Rule 2-5 is defined above. These rules accounted for 20 each, or 40 percent of all violations in 2007. In 2006 Rule 2-5 accounted for the second most violations with 19 (or 12 percent).

The third-most-violated-gross-income-tax rule for FY 2008 was 45 IAC 1.1-1-10. Rule 1-10 defines "Gross Income". This rule accounted for 8, or 17 percent of all gross income tax violations for FY 2008. In 2006 Rule 2-2 accounted for the third most violations with 17 (or 11 percent).

The 2008 audits related primarily to tax years 2003-2005.

Sales/use tax violations

For audits conducted in FY 2008, the most-frequently-violated-sales and use-tax rule was 45 IAC 2.2-3-20. Rule 3-20 states that if the seller of tangible-personal property for storage, use or consumption in Indiana fails to collect the appropriate tax, the purchaser of such property must remit tax directly to the Department. This rule accounted for 748, or 18 percent of all violations of the sales and use tax violations in FY 2008. For audits conducted in 2007, Rule 3-20 accounted for the most

What Indiana Taxpayers Have To Say

"I always call the Lafayette office because they solve taxpayer problems in a timely, friendly manner. They truly are high performers in my opinion, and great representatives of IDOR."
K. Terrill

violations with 860 (or 19 percent). For audits conducted in 2006, Rule 3-20 accounted for the most violations with 777 (or 18 percent).

The second most-violated sales and use-tax rule in FY 2008 was 45 IAC 2.2-3-4. Rule 3-4 imposes use tax on tangible personal property, purchased in Indiana, or elsewhere in a retail transaction, and stored, used or otherwise consumed in Indiana unless the Indiana state gross retail tax (sales tax) has been collected at the point of purchase. This rule accounted for 522, or 13 percent of the sales and use tax violations in FY 2008. In 2007, Rule 3-4 accounted for the second most violations with 548 (or 12 percent). In 2006, Rule 3-4 accounted for the second most violations with 557 (or 13 percent).

The third-most-violated sales and use-rule for FY 2008 was 45 IAC 2.2-5-8. Rule 5-8 clarifies sales and use tax by providing examples of taxable and nontaxable sales of manufacturing machinery, tools and equipment used in direct production and other activities. This rule accounted for 410, or 9 percent of the sales and use tax violations for FY 2008. In 2007, Rule 5-8 accounted for the third most violations with 410 (or 9 percent). In 2006, Rule 5-8 accounted for the third most violations with 368 or (9 percent).

Adjusted gross income tax violations

In FY 2008, the most-frequently-violated-adjusted-gross-income-tax rule was Rule 45 IAC 3.1-1-1. Rule 1-1 defines adjusted gross income for individuals as defined in Section 62 of the Internal Revenue Code. This rule accounted for 77, or 18 percent of all violations of the adjusted gross income tax violations in FY 2008. In 2007, Rule 1-1 accounted for the most violations with 168 (or 29 percent). In 2006, 45 IAC 3.1-1-2 accounted for the most violations with 82 (or 17 percent). This rule defines gross income for Indiana residents filing individual returns as all income defined by Section 61 of the Internal Revenue Code.

The second-most-frequently-violated-adjusted-gross-income-tax rule for FY 2008 was 45 IAC 3.1-1-97. Rule 1-97 defines withholding agents and their responsibility for remitting tax withheld to Indiana. This rule accounted for 57, or 13 percent of the adjusted gross income tax violations in FY 2008. In 2007, Rule 1-2 as defined above accounted for the second most violations with 65 (or 11 percent). In 2006, Rules 1-1 and 1-97 were equally ranked for the second most violations with 68 (or 15 percent).

The third-most-frequently-violated-adjusted-gross-income-tax rule in FY 2008 was 45 IAC 3.1-1-8. Rule 1-8 defines adjusted gross income for corporations as "taxable income" as defined in section 63 of the Internal Revenue Code. This rule accounted for the third most violations with 56, or 13 percent of the adjusted gross income tax violations in FY 2008. In 2007, Rule 1-97 as defined above accounted for the third most violations with 64 (or 11 percent). In 2006, Rule 1-8 accounted for the third most violations with 75 (or 13 percent).

Sales and adjusted gross income tax audits conducted in FY 2008 relate primarily to tax years 2004 – 2006.

Amounts of tax assessed

Exhibits C, D and E display the amount of assessments (refunds) of the gross-income tax, sales tax and adjusted-gross-income tax administrative rules, respectively. "Total assessments" for any tax type represent gross assessments less amounts refunded.

The amount assessed or refunded for each of the most frequent violations and the percentage of the amount to total net assessments are presented as follows:

Gross Income Tax—see Exhibit C:

	Amount Assessed	Percentage of All Assessments
45 IAC 1.1-2-4	$225,214	3.50%
45 IAC 1.1-2-5	$15,179	0.24%
45 IAC 1.1-1-10	161,478	2.51%

Sales/Use Tax—see Exhibit D:

	Amount Assessed	Percentage of All Assessments
45 IAC 2.2-3-20	3,776,295	19.63%
45 IAC 2.2-3-4	$4,635,924	24.09%
45 IAC 2.2-5-8	$3,777,227	19.63%

Adjusted Gross Income Tax—see Exhibit E:

	Amount Assessed	Percentage of All Assessments
45 IAC 3.1-1-2	$479,215	0.72%
45 IAC 3.1-1-97	$232,929	0.35%
45 IAC 3.1-1-8	$332,795	3.36%

NOTE: *For a list of exhibits, please see p. 31.*

Industry /Business Taxes Most Frequently In Violation

- **Gross income tax**
  For the FY 2008 reporting period, taxpayers engaged in manufacturing accounted for the most violations of the gross income tax rules. This group accounted for 13 violations, or 28 percent of the total violations. The most-frequently violated rule by this group of taxpayers is 45 IAC 1.1-2-5 with 5 violations. Rule 2-5 defines services.

  The second-largest number of gross-income-tax violations was committed by taxpayers engaged in wholesale, retail and transportation businesses. This group committed 12 violations, or 25 percent of the total violations for FY 2008. The most-frequently-violated rule of this group was 45 IAC 1.1-2-5 which defines service income.

- **Sales and use tax**
  For the FY 2008 reporting period, taxpayers engaged in retail and transportation businesses accounted for the most violations of the sales and use tax rules. This group accounted for 1,094 violations, or 27 percent of the total violations. The most-frequently violated rule by these taxpayers was 45 IAC 2.2-3-20 that states if a seller of tangible personal property for storage, use or consumption in Indiana fails to collect the appropriate tax, the purchaser of such property must remit tax directly to the Department.

  Manufacturing had the second most frequency of violations for the 2008 sales and use tax rules. It accounted for 864 of the violations committed which represented 22 percent of all sales and use tax violations. The rule most frequently violated by this group was 45 IAC 2.2-5-8 which defines the application of sale and use tax to sales of machinery, tools and equipment used in manufacturing.

- **Adjusted gross income tax**
  For the FY 2008 reporting period, taxpayers engaged in public transportation accounted for the most violations of the adjusted gross income tax rules. This group accounted for 164 violations, or 38 percent of the total violations. The rule most frequently violated by this group was 45 IAC 3.1-1-2 which defines adjusted gross income for individuals.

  Wholesale, retail and transportation had the second most frequency of violations for the FY 2008 adjusted gross income tax rules. It accounted for 84 of the violations committed which represented 19 percent of all adjusted gross income tax violations. The rule most frequently violated by this group was 45 IAC 3.1-1-97 which defines withholding agents and their responsibility for remitting tax withheld to Indiana.

Special tax violations

Exhibit G provides the special tax assessments and refunds by citation.

Article VIII (citation R800 on Exhibit G) of the International Fuel Tax Agreement (IFTA) was the most-frequently-violated special tax item in the study for FY 2008. It specifies the taxable event is the consumption of motor fuels in the propulsion of qualified motor vehicles, except fuel consumed that is exempt from taxation by a jurisdiction. All motor fuel acquired that is normally subject to consumption tax is taxable unless the licensee provides proof to the contrary. Article VIII was violated 181 times and yielded $470,420 in net assessments for the state of Indiana. This represents 24 percent of total violations and 10 percent of net assessments. Article VIII was the most-violated special-tax citation in the 2007 and 2006 studies. The 2007 study had 264 violations ($422,963 net assessments) and 2006 had 296 violations ($850,736 net assessments).

Article X (citation R1000 on Exhibit G) of the International Fuel Tax Agreement (IFTA) was the second-most-frequently violated section of the special tax statutes in the study for FY 2008. This article discusses how taxpayers can obtain credit for tax previously paid on purchases of fuel at the pump. It also lists the records needed to substantiate the refund request. This article was violated 173 times accounting for 23 percent of the total violations. These violations resulted in net refunds of $112,355. Article X had the second most violations in the 2007 and 2006 special tax citations. The 2007 study showed 280 violations with $306,823 net refunds while 2006 showed 221 violations with $162,948 net assessments.

The taxpayer group most frequently in violation of the special tax statutes and IFTA Articles for FY 2008 was the retail and transportation industries. This group committed 666 violations accounting for 87 percent of the total violations. Article VIII of the International Fuel Tax Agreement was most frequently violated by the wholesale, retail and transportation industries. The 2007 statistics showed the wholesale, retail and transportation industries with the most violations (791). The 2006 statistics showed the wholesale, retail and transportation industries with the most violations (810).

Miscellaneous code violations

Exhibit F provides the assessment amounts for the following:

- Financial Institutions Tax
- Tax Administration
- Food and Beverage Tax
- Innkeeper's Tax
- Charity Gaming
- Utility Receipts Tax

In FY 2008, the most-violated miscellaneous code section was rule 45 IAC 15-9-2 which accounted for 20 or 17 percent of the violations. These violations yielded $29,019 in net assessments. Rule 9-2 discusses the statute of limitations for refunds. In the 2007 study, IC 6-6-9 which discusses the auto rental excise tax produced 75 or 39 percent of all miscellaneous code violations. In the 2006 study, 45 IAC 15-5-1 which discusses issuing notices of assessments produced 18 or 14 percent of the violations.

In FY 2008 the second-most-violated code section was IC 6-2.3-2-1 which accounted for 8, or 7 percent of the violations resulting in $923,337 in net assessments. This code section covers the utility receipts tax. Two miscellaneous code sections were the second most violated sections in 2007. These were IC 6-2.3-1-6 and IC 6-2.3-2-1, both of which cover utility receipts tax. These two code sections yielded 18 code violations (or 9 percent) resulting in $332,180 in net assessments. 45 IAC 15-4-1 was the second-most-violated rule in this category in 2006. It yielded a total of $195,690 in assessments. Rule 4-1 discusses access to records for examination. Eleven rule violations accounted for 9 percent of the total violations in this category.

The information, publishing, telecommunications, finance, rental, insurance, real estate, leasing and professional industries along with the arts, entertainment, recreation, food service and accommodations industries accounted for the most-miscellaneous-code violations in FY 2008 with 32 violations each, or 54 percent of the violations. The repair, personal services and other services accounted for the second-most-violated code sections in FY 2008 with 16, or 13 percent of the violations. The wholesale, retail and transportation industries committed the most-miscellaneous-code violations in 2007 with 88, or 45 percent of the violations. The information, publishing, telecommunications, finance, rental, insurance, real estate, leasing and professional services industries committed the second-most-miscellaneous-code violations in 2007 with 49, or 25 percent of the violations.

The arts, entertainment, recreation, food service and accommodation industries committed the most violations under the miscellaneous citations in 2006 with 28, or 22 percent of the violations. The industry ranked second for the 2006 study was the information, publishing, telecommunications, finance, rental, insurance, real estate, leasing and professional services industries with 26, or 20 percent of the violations.

Number of years in the audit period

The audit period averages three years.

Use of professional tax preparation assistance

The services of professional preparers are used in the preparation of approximately 90 percent of the corporate income tax returns. Statistics show that approximately 57 percent of individuals use a professional preparer to complete their returns.

Filing of appropriate tax returns

Rule 45 IAC 3.1-1-92 requires qualified corporations to make estimated tax payments. In FY 2008, compliance among these corporate taxpayers was 82 percent. The 18 percent of noncompliant corporations resulted in $978,041 in total penalties, in accordance with Indiana Code 6-8.1-10-2.1. Penalties assessed in FY 2007 reached $669,788.

EXHIBITS

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Field Auditors Taxpayer Assistance/Special Projects	**Exhibit B**	**Page**	**34**
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Gross Income Tax Audits			
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EXHIBIT A

Taxpayer Assistance Report District Offices

	South Bend	Fort Wayne	Lafayette	Kokomo	Muncie	Terre Haute	Bloomington	Columbus	Clarksville	Evansville	Merrillville	Totals
Walk-in Assistance	11,878	8,384	16,848	20,886	9,459	6,942	12,284	18,284	19,338	9,745	16,249	**150,297**
Telephone Assistance	9,324	12,971	13,848	19,980	16,399	14,558	14,813	8,421	18,796	11,541	20,451	**161,102**
Totals	**21,202**	**21,355**	**30,696**	**40,866**	**25,858**	**21,500**	**27,097**	**26,705**	**38,134**	**21,286**	**36,700**	**311,399**
Collected/ Assessed	**$3,892,643**	**$4,986,544**	**$3,500,939**	**$7,611,081**	**$4,334,942**	**$4,230,296**	**$7,816,288**	**$7,357,396**	**$7,088,491**	**$3,889,969**	**$6,127,273**	**$60,835,862**

EXHIBIT A
CONTINUED

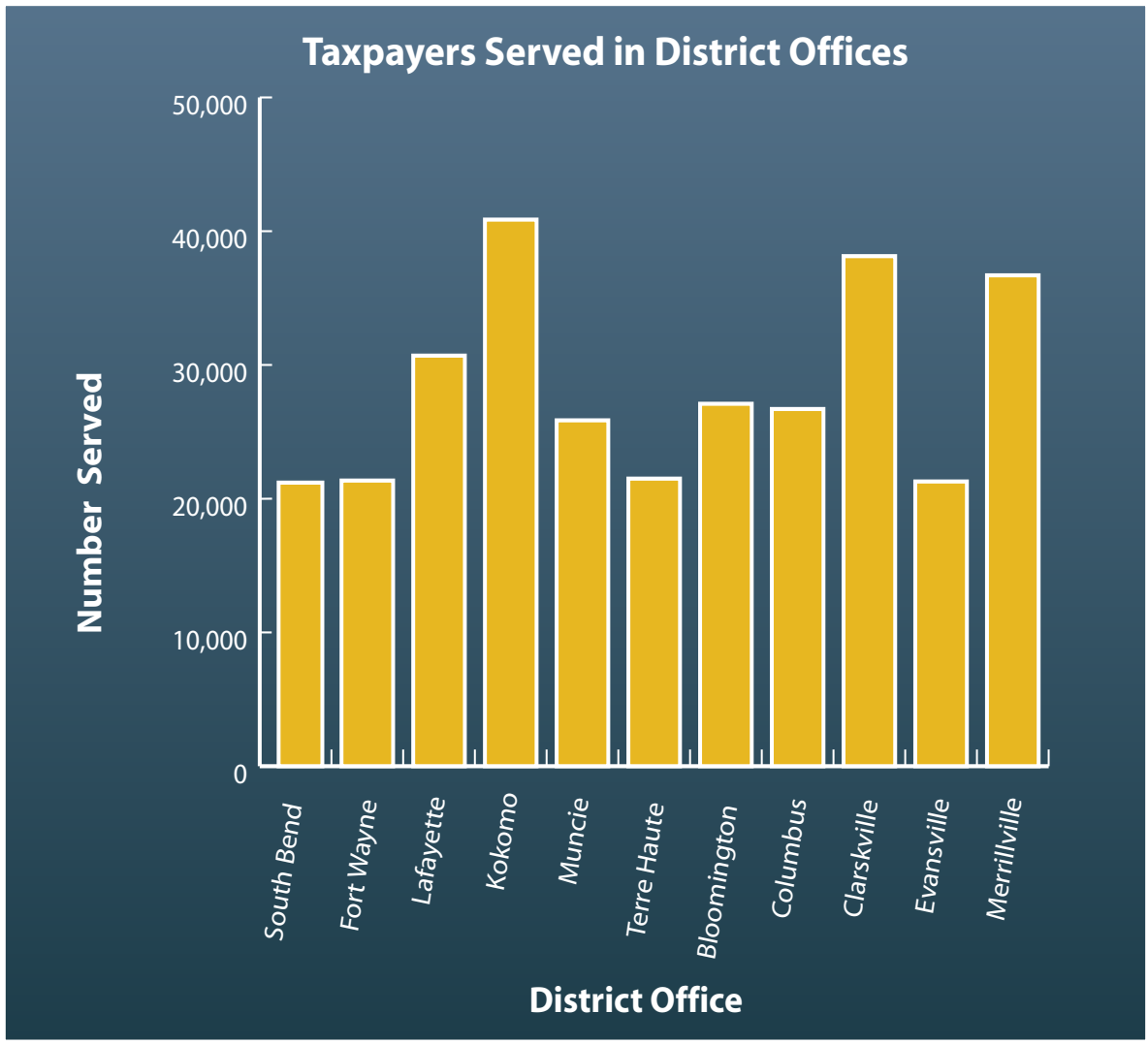


EXHIBIT B

Field Auditors Taxpayer Assistance/Special Projects

	Total Hours
Zone I - South Bend, Lafayette, Merrillville	**898**
Zone II - Fort Wayne, Kokomo, Muncie	**54**
Zone III - Indianapolis*, Terre Haute, Columbus	**49**
Zone IV - Bloomington, Clarksville, Evansville	**529**
Zone V - Out of State	**0**
Special Tax Auditors	**374**
Total	**1,904**

*Represents special project only. Taxpayer assistance provided by Taxpayer Services Division.
This field auditor information was gathered using data from regional reports indicating hours charged to Administrative Special Projects and Administrative Taxpayer Services.

Standard Industrial Codes

The Standard Industrial codes (SIC) used in the Audit Division reports and exhibits are based on the North American Industry Classification System (NAICS). Refer to the following text to explain the industry classification numbering system.

Class	Explanation
1	Agricultural; Forestry
2	Mining; Oil and Gas Extraction; Construction
3	Manufacturing
4	Wholesale; Retail; Transportation
5	Information; Publishing; Telecommunications; Finance; Rental Insurance; Real Estate; Leasing; Professional Services
6	Education; Health Services
7	Arts; Entertainment; Recreation; Food Service; Accommodations
8	Repair; Personal Services; Other Services
9	Public Administration

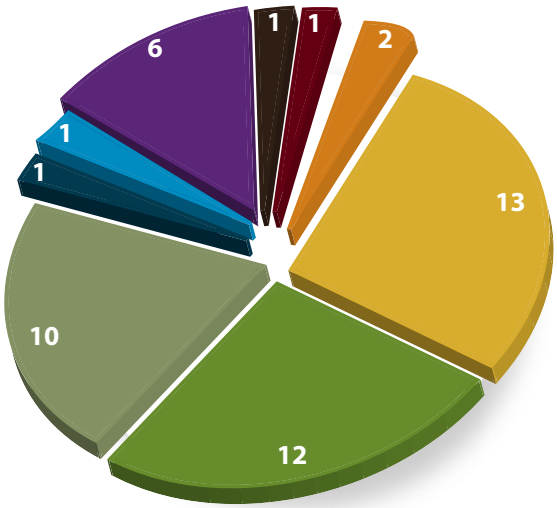
EXHIBIT C

Dollars Assessed in 45 IAC Citations by Industrial Code **Gross Income Tax Audits**

Sum of Amount	**SIC**									
Citation	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**Grand Total**
45 IAC 1.1-1-10			50	5,120	115,251			41,057		**161,478**
45 IAC 1.1-2-1			1,187,679		(45,492)	14,915				**1,157,102**
45 IAC 1.1-2-10			41,228							**41,228**
45 IAC 1.1-2-13					212,273					**212,273**
45 IAC 1.1-2-2		746	(1,164)	19,765	(20,312)			989		**24**
45 IAC 1.1-2-4		89,843	52,041	(14,862)	139,762		(74,571)	33,001		**225,214**
45 IAC 1.1-2-5			34,020	15,667	(55,396)			20,888		**15,179**
45 IAC 1.1-3-3	0			4,629,509					0	**4,629,509**
Grand Total	**0**	**90,589**	**1,313,854**	**4,655,199**	**346,086**	**14,915**	**(74,571)**	**95,935**	**0**	**6,442,007**

EXHIBIT C
CONTINUED

Number of **Gross Income Tax Violations** by Industry Code



- **SIC 1** Agricultural; Forestry
- **SIC 2** Mining; Oil and Gas Extraction; Construction
- **SIC 3** Manufacturing
- **SIC 4** Wholesale; Retail; Transportation
- **SIC 5** Information; Publishing; Telecommunications; Finance; Rental Insurance; Real Estate; Leasing; Professional Services
- **SIC 6** Education; Health Services
- **SIC 7** Arts; Entertainment; Recreation; Food Service; Accommodations
- **SIC 8** Repair; Personal Services; Other Services
- **SIC 9** Public Administration

EXHIBIT C
CONTINUED

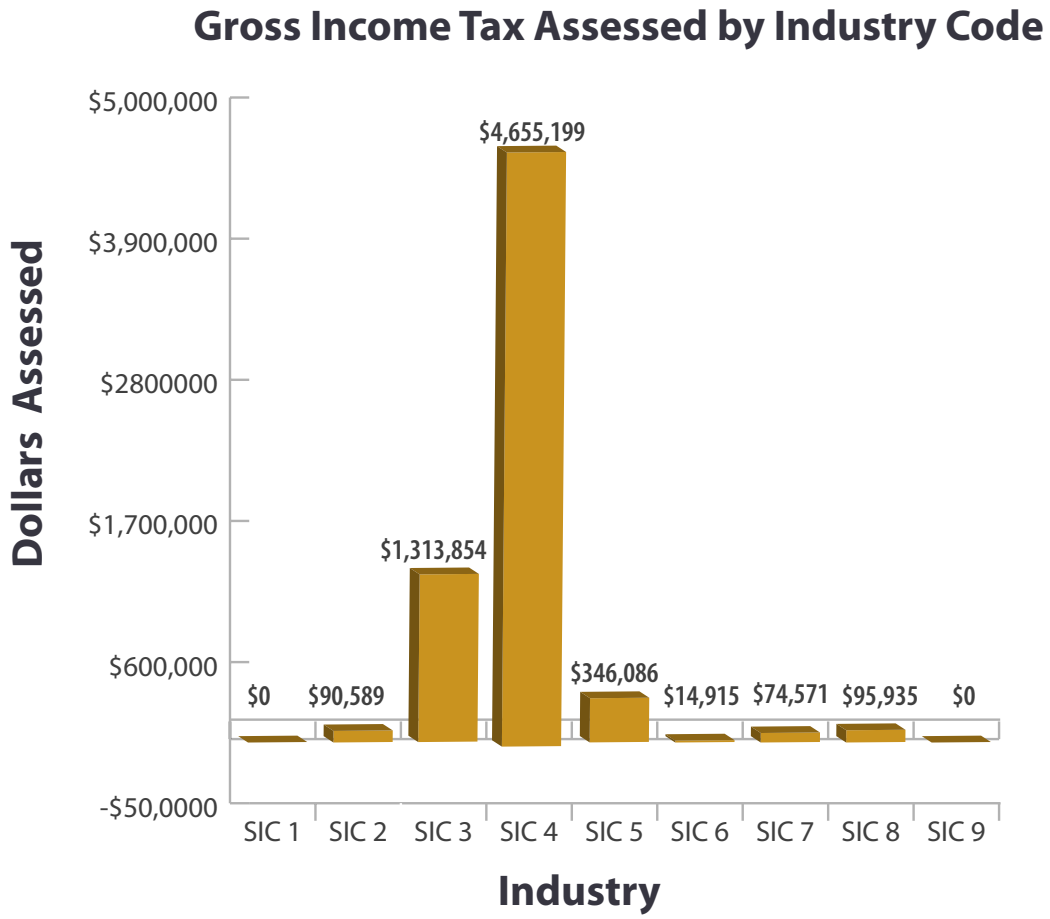


EXHIBIT D

Dollars Assessed In 45 IAC Citations by Industrial Code **Sales and Use Tax Audits**

Sum of Amount	SIC									
Citation	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**Grand Total**
45 IAC 2.2-1-1		1,345	13,089	11,317	2,241	210,045	20,912	178,928		437,877
45 IAC 2.2-2-1		(4,843)	11,288	84,631	472,159		430	(237,275)	10,839	337,229
45 IAC 2.2-2-2		45,860	107,255	425,955	39,398		23,775	28,401	19,176	689,820
45 IAC 2.2-2-3							2,986	1,374		4,360
45 IAC 2.2-2-4			11,670							11,670
45 IAC 2.2-3-12	1,148	547,998	(231)	4,746	11,161		8,799	(55,724)		517,897
45 IAC 2.2-3-13		17,696	5,629	95,483	28,474	75,143	3,088	2,984		228,497
45 IAC 2.2-3-14		(512)		(718)		(31)	(1,518)			(2,779)
45 IAC 2.2-3-15		5,329	16,339	26,335			100,113	10,755		158,871
45 IAC 2.2-3-16					(278)			2,452		2,174
45 IAC 2.2-3-18		60		43,539			455	2,888		46,942
45 IAC 2.2-3-20	10,643	307,791	928,648	917,865	739,457	110,476	607,583	127,415	26,417	3,776,295
45 IAC 2.2-3-22		(497)		11,831	88					11,422
45 IAC 2.2-3-27		5,852	(97)	14,098	9,005	1,100	4,847	(100,817)		(66,012)
45 IAC 2.2-3-3			2,131	197,832	382		235			200,580
45 IAC 2.2-3-4	5,605	366,340	1,856,053	680,333	947,387	58,422	245,951	(26,048)	501,881	4,635,924
45 IAC 2.2-3-4.						379				379
45 IAC 2.2-3-5	930	540	1,340	56,242	63,408			1,710	491	124,661
45 IAC 2.2-3-6				821	10,096					10,917
45 IAC 2.2-3-9	83,160	106,603	208,952	8,647	21,240	(3,144)	57	9,281		434,796
45 IAC 2.2-4-1	566	100,338	280,566	145,434	179,956	5,594	(32,726)	239,153	5,144	924,025
45 IAC 2.2-4-13		(10,541)	(605,530)	(69,182)	(89,324)		(283,082)	(104,321)		(1,161,980)
45 IAC 2.2-4-14			1,347		4,451					5,798
45 IAC 2.2-4-2		11,466	(100,461)	(18,125)	33,241	1,585	(2,607)	53,237		(21,664)
45 IAC 2.2-4-21		(592)	8,537	225	608		1,286	3,121		13,185
45 IAC 2.2-4-22		364,803	2,793	1,680	7,176		9,253	4,320	26,765	416,790
45 IAC 2.2-4-23			(40,149)							(40,149)
45 IAC 2.2-4-25		4,176								4,176
45 IAC 2.2-4-26		190,923	1,497	1,773	(5,842)					188,351
45 IAC 2.2-4-27		140,931	23,304	212,882	323,565	14,996	46,637	19,043	9,570	790,928
45 IAC 2.2-4-3		870	1,465	5,648	3,790		419	36		12,228
45 IAC 2.2-4-30				33	26,648	747				27,428
45 IAC 2.2-4-33				36	3,388					3,424
45 IAC 2.2-4-4			10,190				(78)			10,112
45 IAC 2.2-4-5			(282)							(282)
45 IAC 2.2-4-8		4	92	123	11,581	2	3,765,299	126		3,777,227
45 IAC 2.2-4-9	169		3,869				278		88	4,404
45 IAC 2.2-5-10			129,746	929			33,330	1,884		165,889
45 IAC 2.2-5-12		(2,560)	(56,799)	12,091	1,429		11,306	(249,575)		(284,108)
45 IAC 2.2-5-14		(1,719)	(14,551)	(261,327)	(2,784)		(1,336)	(2,943)	(9,354)	(294,014)
45 IAC 2.2-5-15		(37,052)	(1,713)	(21,567)	(130,193)	(13,627)	(5,035,284)	(7,113)	(23)	(5,246,572)
45 IAC 2.2-5-16			(22,273)	4,229	(561)		(127)	10,899	(32)	(7,865)

EXHIBIT D

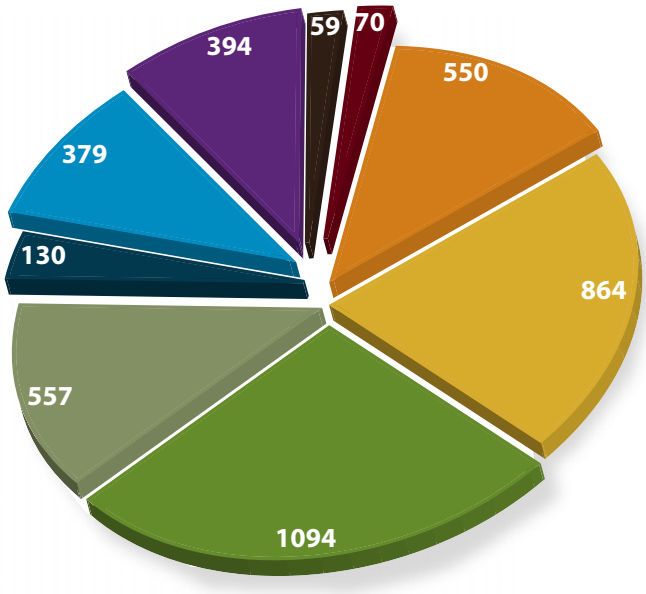
Dollars Assessed In 45 IAC Citations by Industrial Code **Sales and Use Tax Audits**

Continued

Sum of Amount	SIC									
Citation	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**Grand Total**
45 IAC 2.2-5-20					(7,588)			(413,918)		(421,506)
45 IAC 2.2-5-24					3,050					3,050
45 IAC 2.2-5-26	689	7,521	8,492	26,251	13,273	2,675	1,872	1,419		62,192
45 IAC 2.2-5-28					2,876	(9,649)			1,323	(5,450)
45 IAC 2.2-5-3	853								1,249	2,102
45 IAC 2.2-5-35				(102)		30,301				30,199
45 IAC 2.2-5-36	698			808	11,465	49,697		303		62,971
45 IAC 2.2-5-38			(323)	(2,094)	(259)		(5,085)			(7,761)
45 IAC 2.2-5-39			(72)	49,315		(266)	(19,544)	7,124		36,557
45 IAC 2.2-5-4	22,304			(6,181)					2,430	18,553
45 IAC 2.2-5-40			92	185,213	494		916			186,715
45 IAC 2.2-5-42			999	568						1,567
45 IAC 2.2-5-43		30	556	649	713		116,875			118,823
45 IAC 2.2-5-45		226	13	9,081	79	469	24,697	33		34,598
45 IAC 2.2-5-54			1,624	4,645	(541)			34		5,762
45 IAC 2.2-5-55							80,026	(1,394)		78,632
45 IAC 2.2-5-6	10,206			80,836						91,042
45 IAC 2.2-5-61		(13,079)		3,412	7,653			(111,835)		(113,849)
45 IAC 2.2-5-62				3,503						3,503
45 IAC 2.2-5-63				6,387					(3,376)	3,011
45 IAC 2.2-5-8	41,659	216,997	3,618,499	499,692	91,893		83,968	(127,575)	6,821	4,431,954
45 IAC 2.2-5-9		35,216	1,583							36,799
45 IAC 2.2-6-1				200,545	347	(427)	38,017	162,996		401,478
45 IAC 2.2-6-12		(7,802)		53,338	894,570			(791,297)		148,809
45 IAC 2.2-6-13				8,585						8,585
45 IAC 2.2-6-14		(1,932)		1,864	(20)			151		63
45 IAC 2.2-6-8	852	24,471	13,807	783,469	706,655	19,447	632,321	137,965	41,562	2,360,549
45 IAC 2.2-7-2				(95)						(95)
45 IAC 2.2-7-6				125,022				13,937		138,959
45 IAC 2.2-7-7				25,288				679		25,967
45 IAC 2.2-8-12	9,826	(6,382)	62,911	180,494	92,883	15	244,318	39,358	7,404	630,827
45 IAC 2.2-8-8								18,009		18,009
Grand Total	**189,308**	**2,415,875**	**6,491,895**	**4,834,332**	**4,528,890**	**553,949**	**728,662**	**(1,149,820)**	**648,375**	**19,241,466**

EXHIBIT D
CONTINUED

Number of **Sales and Use Tax Violations** by Industry Code



- **SIC 1** Agricultural; Forestry
- **SIC 2** Mining; Oil and Gas Extraction; Construction
- **SIC 3** Manufacturing
- **SIC 4** Wholesale; Retail; Transportation
- **SIC 5** Information; Publishing; Telecommunications; Finance; Rental Insurance; Real Estate; Leasing; Professional Services
- **SIC 6** Education; Health Services
- **SIC 7** Arts; Entertainment; Recreation; Food Service; Accommodations
- **SIC 8** Repair; Personal Services; Other Services
- **SIC 9** Public Administration

EXHIBIT D
CONTINUED

Sales and Use Tax Dollars Assessed by Industry Code

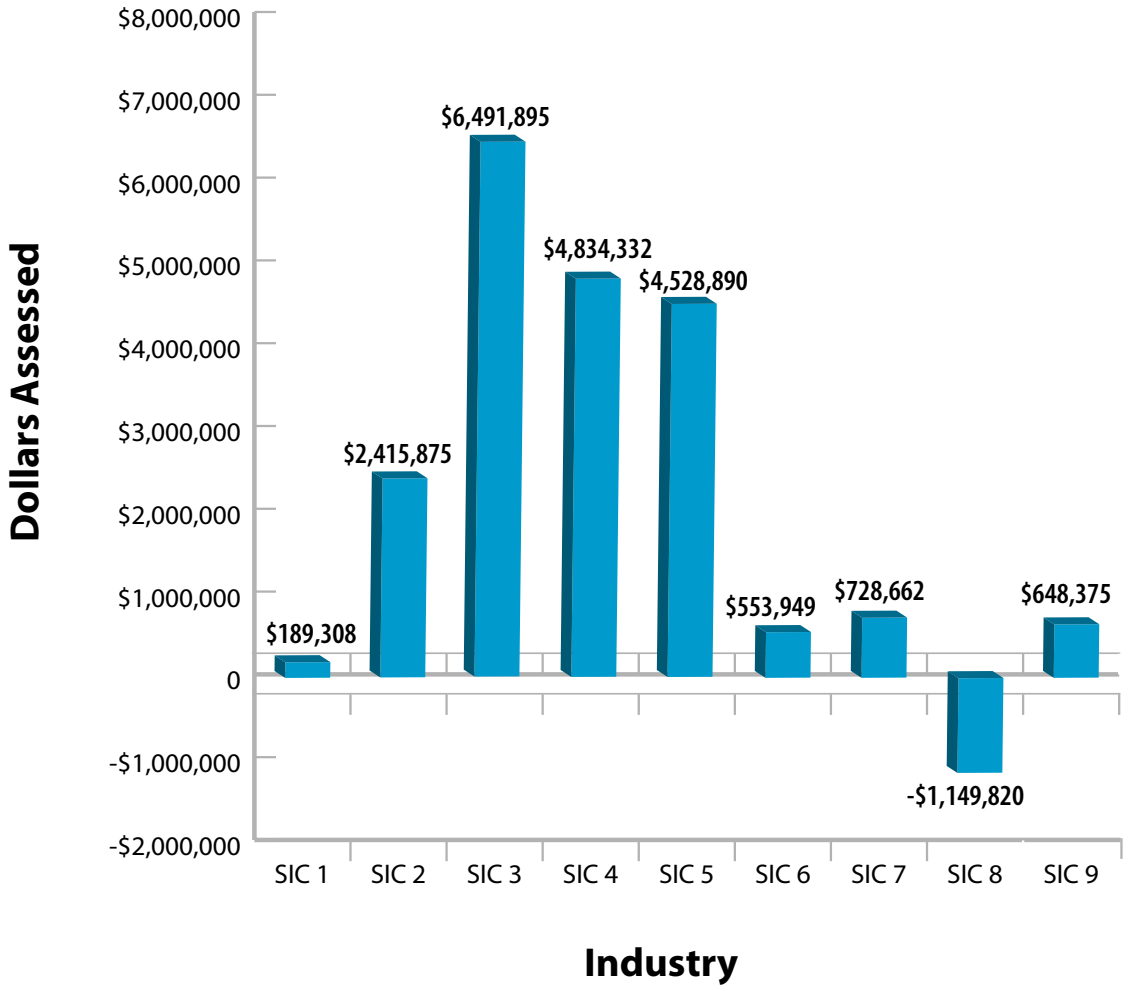


EXHIBIT E

Dollars Assessed in 45 IAC Citations by Industrial Code **Adjusted Gross Income Tax**

Sum of Results	SIC									
Citation	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**Grand Total**
45 IAC 3.1-1-1		90,555	13,643	18,533	1,089			16,202	192,773	332,795
45 IAC 3.1-1-100		1,941		475						2,416
45 IAC 3.1-1-106									22,524	22,524
45 IAC 3.1-1-153			135,000	63,408	454,581					652,989
45 IAC 3.1-1-2		16,781		26,038	1,748		668	42,661	391,319	479,215
45 IAC 3.1-1-25		(645)		917				588	4,717	5,577
45 IAC 3.1-1-36		6,406							23,716	30,122
45 IAC 3.1-1-37			9,466,824	435,602	2,734,023			8,624,280	2,065,738	23,326,467
45 IAC 3.1-1-38			(3,436,893)					2,839	1,599	(3,432,455)
45 IAC 3.1-1-39			26,358	95,600	(4,541)					117,417
45 IAC 3.1-1-40		622		6,862						7,484
45 IAC 3.1-1-41				3,203	902					4,105
45 IAC 3.1-1-43				165	(4,379)					(4,214)
45 IAC 3.1-1-47		545		226						771
45 IAC 3.1-1-48					1,770					1,770
45 IAC 3.1-1-49			2,165	(140)			11,081	31,051		44,157
45 IAC 3.1-1-5				(858)					3,581	2,723
45 IAC 3.1-1-50		68,375		387	48,959					117,721
45 IAC 3.1-1-51		966,854	7,714	(123)	9,926			(787)	16,766	1,000,350
45 IAC 3.1-1-52				8,889	98,753			(31,979)		75,663
45 IAC 3.1-1-53			8,396	(237,060)	26,115		509	178,045		(23,995)
45 IAC 3.1-1-55					(6,418)					(6,418)

EXHIBIT E

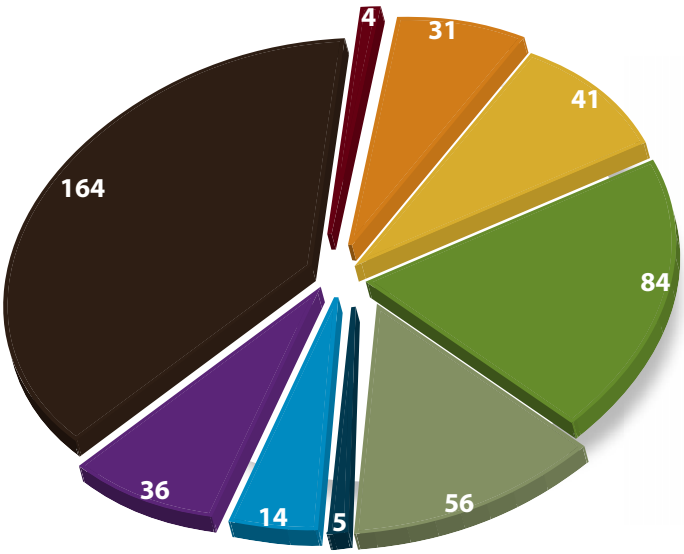
Dollars Assessed in 45 IAC Citations by Industrial Code **Adjusted Gross Income Tax**

Continued

Sum of Results	**SIC**									
Citation	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**Grand Total**
45 IAC 3.1-1-62			862,562	1,439,431	582,787				42,583,471	45,468,251
45 IAC 3.1-1-66			33,789	1,184	3,559			6,738	25,945	71,215
45 IAC 3.1-1-67									8,170	8,170
45 IAC 3.1-1-79			1,000	(503)						497
45 IAC 3.1-1-8	11,501	722	8,940	298,955	(40,892)	11,784	34,745	(2,732,336)	176,020	(2,230,561)
45 IAC 3.1-1-9	2,684		71,697	(156,445)	(76,785)	5,476	(1,119,497)	(33,515)	(74,441)	(1,380,826)
45 IAC 3.1-1-94		16,540	(319,273)	1,733,477	17,000				117	1,447,861
45 IAC 3.1-1-97		100,015	13,398	24,849	35,613	1,765	21,170	31,437	4,682	232,929
45 IAC 3.1-2-1			4,121	0						4,121
45 IAC 3.1-3-1				2,227					1,369	3,596
45 IAC 3.1-3-2				5,558				564	4,511	10,633
Grand Total	**14,185**	**1,268,711**	**6,899,441**	**3,770,857**	**3,883,810**	**19,025**	**(1,051,324)**	**6,135,788**	**45,452,577**	**66,393,070**

EXHIBIT E
CONTINUED

Number of **Adjusted Gross Income Tax Violations** by Industry Code



- **SIC 1** Agricultural; Forestry
- **SIC 2** Mining; Oil and Gas Extraction; Construction
- **SIC 3** Manufacturing
- **SIC 4** Wholesale; Retail; Transportation
- **SIC 5** Information; Publishing; Telecommunications; Finance; Rental Insurance; Real Estate; Leasing; Professional Services
- **SIC 6** Education; Health Services
- **SIC 7** Arts; Entertainment; Recreation; Food Service; Accommodations
- **SIC 8** Repair; Personal Services; Other Services
- **SIC 9** Public Administration

EXHIBIT E
CONTINUED

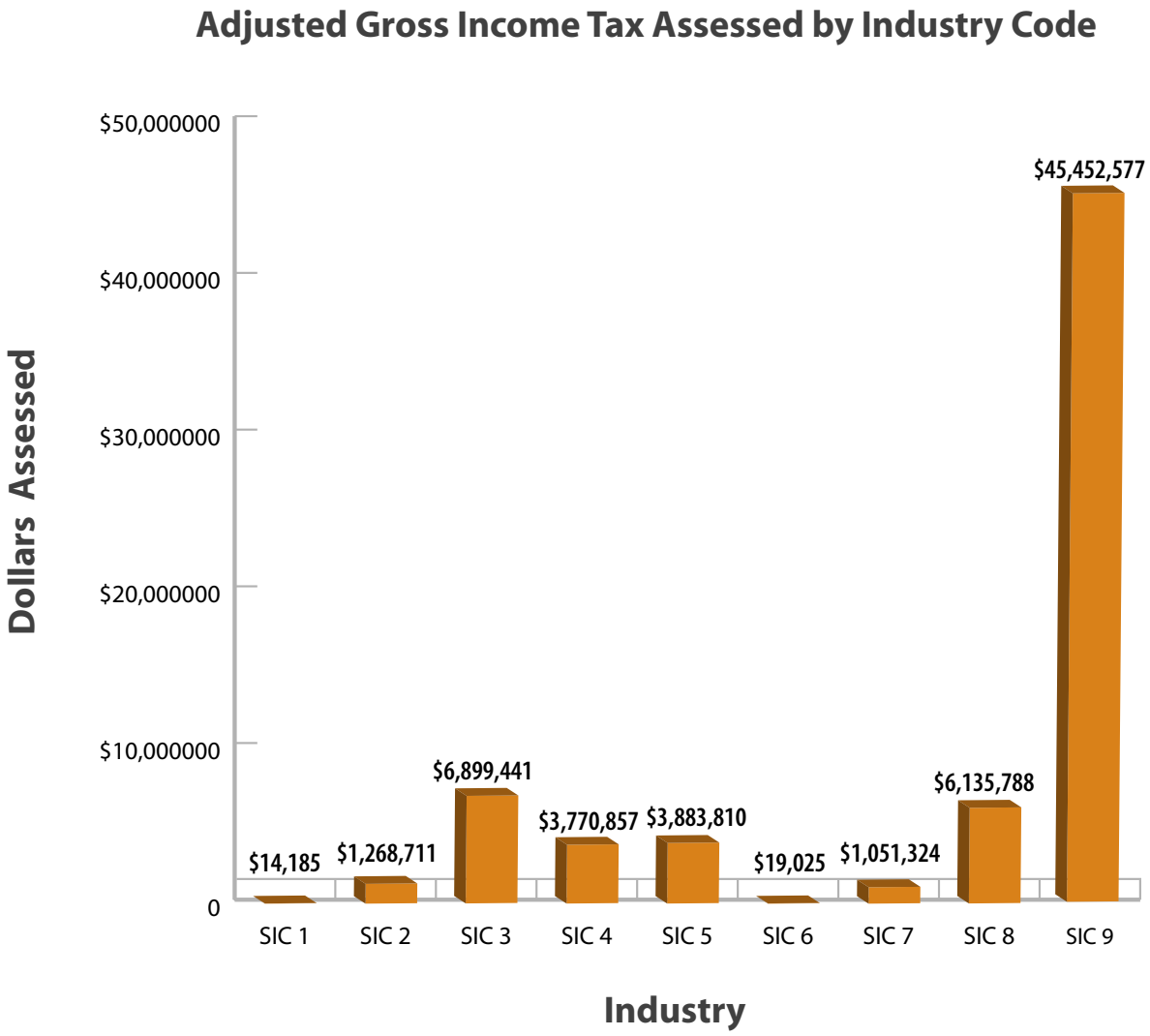


EXHIBIT F

Dollars Assessed for **Miscellaneous Violations** by Industrial Code

Sum of Amount	SIC									
Citation	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**Grand Total**
45 IAC 15-4-1				(913)	(861)			18,230		16,456
45 IAC 15-5-1				42,072				2,095		44,167
45 IAC 15-9-1								100,255	(111)	100,144
45 IAC 15-9-2	81		31,172		20,857		274	(23,365)		29,019
45 IAC 17-3-10					(27,501)					(27,501)
45 IAC 17-3-4					246,658					246,658
IC 6-2.3-1-9		3,951			390,424					394,375
IC 6-2.3-2-1		160,078		45,555	717,704					923,337
IC 6-2.3-3-1		5,800			(390,830)					(385,030)
IC 6-2.3-4-2					867,316					867,316
IC 6-2.3-5-2					1,324,477					1,324,477
IC 6-3.1-4-1			(670,172)							(670,172)
IC 6-3-4-8		31,918						1,661		33,579
IC 6-5.5-1-18					26,928					26,928
IC 6-5.5-1-2						162,799			(3,094)	159,705
IC 6-5.5-2-1				5,339	22,662				15,657	43,658
IC 6-5.5-2-4					22,996					22,996
IC 6-5.5-2-8					3,165,867					3,165,867
IC 6-5.5-4-12					(32,253)					(32,253)
IC 6-5.5-4-2					100,711				5,677	106,388
IC 6-5.5-4-3					21,782					21,782
IC 6-5.5-4-4						127,290			12,104	139,394
IC 6-5.5-4-7									61,577	61,577
IC 6-5.5-4-9									1,727	1,727
IC 6-5.5-5-1					(41,322)					(41,322)

EXHIBIT F

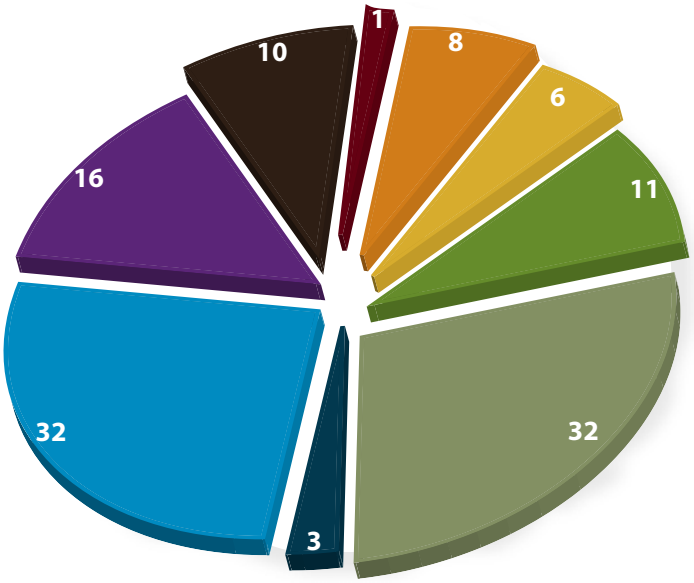
Dollars Assessed for **Miscellaneous Violations** by Industrial Code

Continued

Sum of Amount	SIC									
Citation	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**Grand Total**
IC 6-5.5-5-2					(37,189)	73,331			(342)	35,800
IC 6-6-9-7				11,048						11,048
IC 6-9-12-3							968			968
IC 6-9-12-7							(8,145)			(8,145)
IC 6-9-15-6							625			625
IC 6-9-18-3							6,902			6,902
IC 6-9-20-4							15,312			15,312
IC 6-9-3-4							76,606			76,606
IC 6-9-8-2							3,004,572			3,004,572
IC 6-9-9-2							146,784			146,784
IC 9-13-2-42				31,272						31,272
Grand Total	**81**	**201,747**	**(639,000)**	**134,373**	**6,398,426**	**363,420**	**3,243,898**	**98,876**	**93,195**	**9,895,016**

EXHIBIT F
CONTINUED

Number of **Misc. Code Violations** by Industry Code



- **SIC 1** Agricultural; Forestry
- **SIC 2** Mining; Oil and Gas Extraction; Construction
- **SIC 3** Manufacturing
- **SIC 4** Wholesale; Retail; Transportation
- **SIC 5** Information; Publishing; Telecommunications; Finance; Rental Insurance; Real Estate; Leasing; Professional Services
- **SIC 6** Education; Health Services
- **SIC 7** Arts; Entertainment; Recreation; Food Service; Accommodations
- **SIC 8** Repair; Personal Services; Other Services
- **SIC 9** Public Administration

EXHIBIT F
CONTINUED

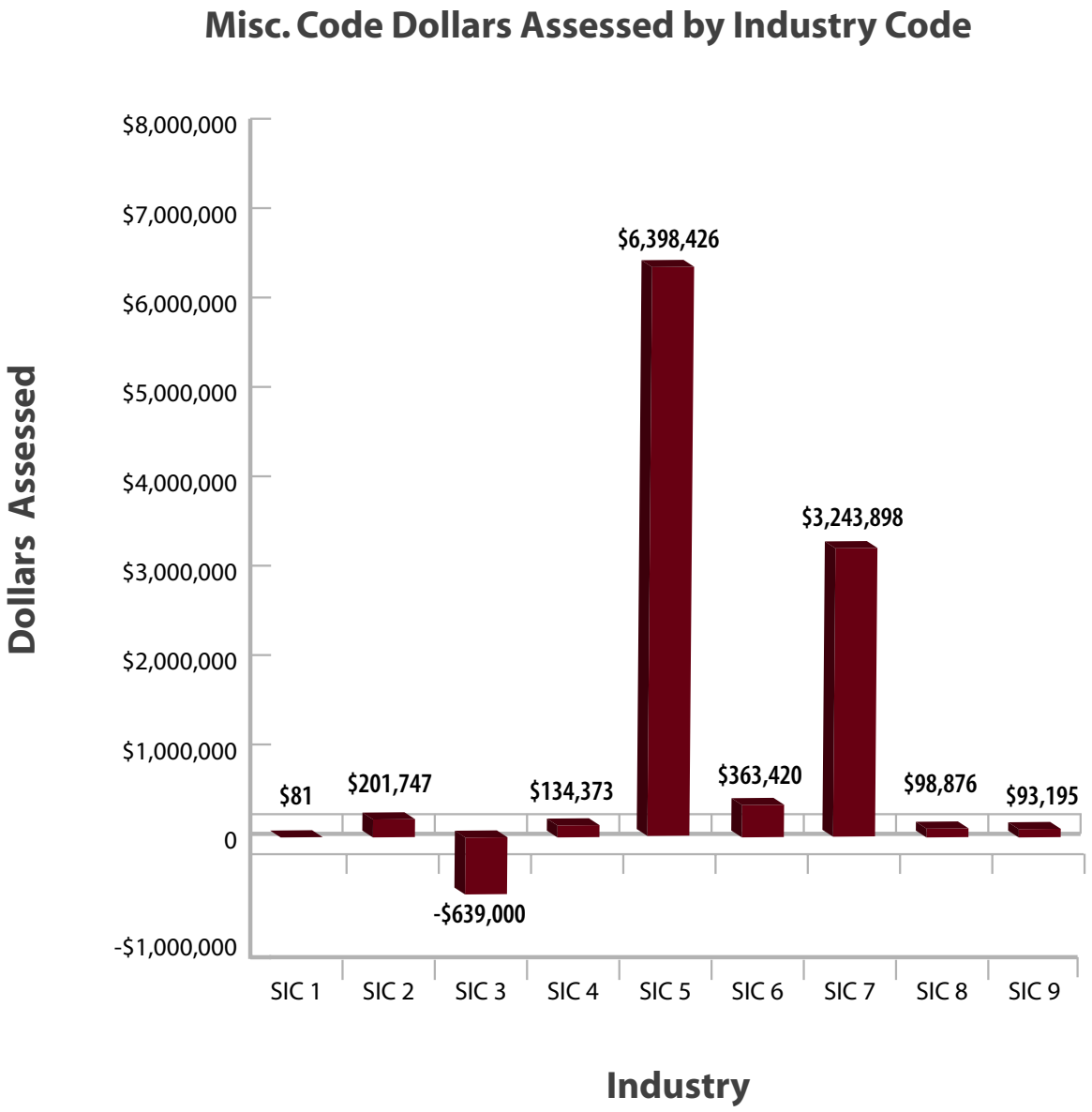


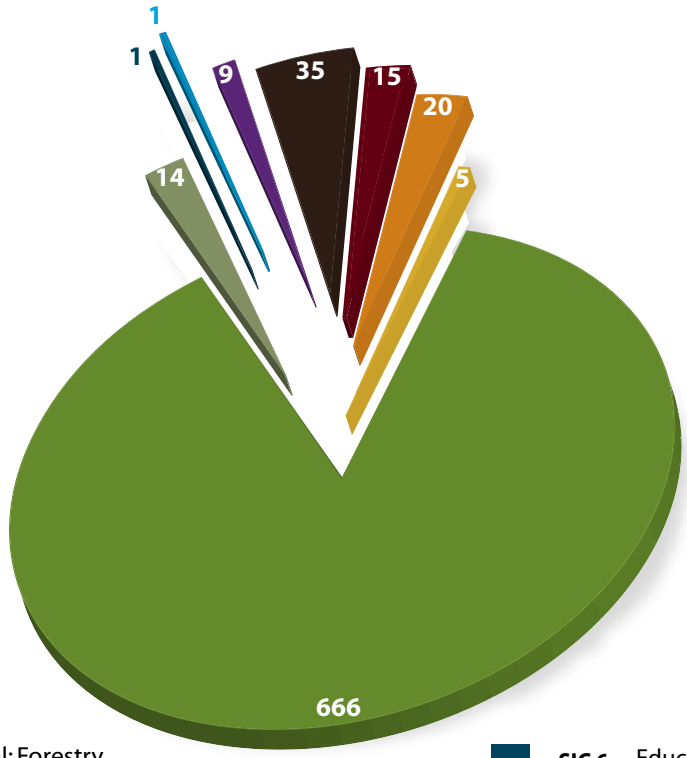
EXHIBIT G

Dollars Assessed in Code and Article Citations by Industrial Code **Special Tax Audits**

Sum of Results	SIC									
Citation	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**Grand Total**
A550				131,842						131,842
IC 6-6-2.5-28									2,421	2,421
IC 6-6-4.1-4		33,943		64,109	648		65		4,369	103,134
IC 6-6-4.1-6		19,787		(29,722)	(142)				709	(9,368)
IC 6-6-4.1-8		4,285								4,285
IC 6-6-5.5-8	42			516,413	74			313	14,918	531,760
IC 6-7-1-19	3,163			117,372	36,298			455,807	85,974	698,614
IC 6-7-2-7				1,066	20,776				2,943	24,785
IC 7.1-4-3-2				1,238,591						1,238,591
IC 7.1-4-4-3				90,072						90,072
IC 8-2.1-20-7				11,870	50					11,920
IC 8-2.1-22-33				210						210
IRP ArtICle II-204				828						828
IRP ArtICle XV-102				70						70
IRP ArtICle XV-1502	66			1,153,153	173			10	31,262	1,184,664
IRP ArtICle XVII-1700	30	(29)	(62)	14,060				709		14,708
R1000	(1,855)	(50,466)	(1,459)	170,635	(808)			(179)	(3,513)	112,355
R1200				23,932						23,932
R800	2,234	69,487	1,903	380,592	1,300	0		6,389	8,515	470,420
Grand Total	**3,680**	**77,007**	**382**	**3,885,093**	**58,369**	**0**	**65**	**463,049**	**147,598**	**4,635,243**

EXHIBIT G
CONTINUED

Number of **Special Tax Violations** by Industry Code



SIC 1 Agricultural; Forestry

SIC 2 Mining; Oil and Gas Extraction; Construction

SIC 3 Manufacturing

SIC 4 Wholesale; Retail; Transportation

SIC 5 Information; Publishing; Telecommunications; Finance; Rental Insurance; Real Estate; Leasing; Professional Services

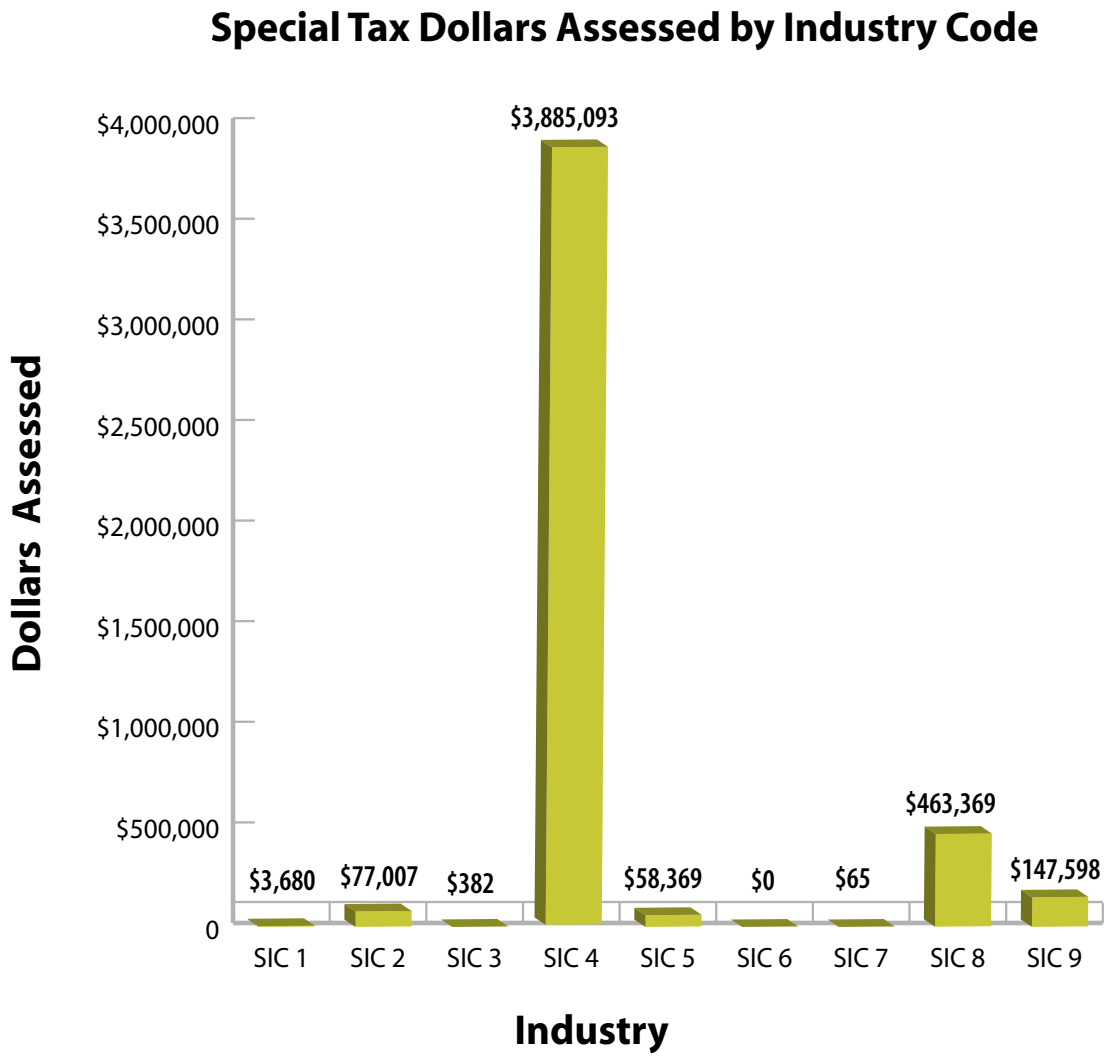
SIC 6 Education; Health Services

SIC 7 Arts; Entertainment; Recreation; Food Service; Accommodations

SIC 8 Repair; Personal Services; Other Services

SIC 9 Public Administration

EXHIBIT G
CONTINUED



Legislative Changes

This section provides recommendations for improved taxpayer compliance and Department administration during FY 2008.

SENATE BILLS

SB 28, SECTION 1, IC 22-14-7 [Upon Passage] provides that beginning July 2009 all cigarettes must be tested and certified for fire safety. The Department may inspect markings on the cigarette packaging to ensure that they have been tested and certified for fire safety. Cigarettes that are sold or offered for sale that do not comply with the performance measures are subject to forfeiture. Cigarettes that are seized by a law enforcement officer or the state fire marshal shall be turned over to the Department to be destroyed.

SB 190, SECTION 24, IC 6-2.5-7-5.5 [July 1, 2008] changes an internal reference to reflect a change due to a recodification of the statute concerning agricultural commodities.

SB 223, SECTION 1, IC 6-3.1-29-19 [Jan. 1, 2008 - Retroactive] allows non Indiana coal to be used in a coal gasification power plant if the taxpayer certifies to the Indiana Economic Development Corporation (IEDC) that partial use of other coal will result in lower rates for Indiana retail utility customers.

SB 233, SECTION 1, IC 6-2.5-1-16.2 [Jan. 1, 2009] defines digital audio works as the fixation of a series of musical, spoken or other sounds, including ring tones.

SECTION 2, IC 6-2.5-1-16.3 [Jan. 1, 2009] defines digital audiovisual works as a series of related images that, when shown in succession, impart an impression of motion.

SECTION 3, IC 6-2.5-1-16.4 [Jan. 1, 2009] defines digital books as works that are generally recognized as books.

SECTION 4, IC 6-2.5-1-18 [Upon Passage] adds repair and replacement parts as components used in conjunction with durable medical equipment.

SECTION 5, IC 6-2.5-1-26.5 [Jan. 1, 2009] defines specified digital products as digital audio works, digital audio visual works, and digital books.

SECTION 6, IC 6-2.5-4-16 [Jan. 1, 2009] provides that when a person transfers specified digital products to an end user, the person is a retail merchant making a retail transaction that is subject to sales tax. An end user does not include a person who receives a product transferred electronically for further commercial broadcast, rebroadcast, transmission, retransmission, licensing distribution, or exhibition of a product to another person.

SECTION 7, IC 6-2.5-13-1 [Jan. 1, 2008 - Retroactive] provides that until Dec. 31, 2009, sourcing of floral orders transmitted to another florist for delivery is sourced to the location of the florist that originally takes the floral order from the purchaser.

HOUSE BILLS

HB 1001, SECTION 22, IC 4-35-8-3 [Jan. 1, 2009] provides that the tax revenue from the slot machines at horse race tracks will be deposited in the state general fund instead of the property tax reduction trust fund, which has been eliminated.

SECTION 310, IC 6-2.5-2-2 [April 1, 2008] increases the sales tax rate from 6 percent to 7 percent, and lists the amount of tax to be collected for transactions that are less than $1.07.

SECTION 311, IC 6-2.5-6-7 [April 1, 2008] requires a retail merchant to pay to the Department 7 percent of the retail merchant's gross retail income.

SECTION 312, IC 6-2.5-6-8 [April 1, 2008] provides that a retail merchant's income exclusion ratio is the total gross retail income from transactions that are less than $.08 divided by the total gross retail income for the tax year from all retail transactions.

SECTION 313, IC 6-2.5-6-10 [April 1, 2008] for reporting periods beginning after June 30, 2008, the collection allowance is reduced to: 0.73 percent if the annual sales tax liability is less than $60,000; 0.53 percent if the annual sales tax liability is greater than $60,000 and less than $600,000; and 0.26 percent if the annual sales tax liability exceeds $600,000.

SECTION 314, IC 6-2.5-7-3 [April 1, 2008] increases the sales tax rate to 7 percent when it is applied against the price of gasoline before the addition of state and federal taxes.

SECTION 315, IC 6-2.5-7-5 [April 1, 2008] provides that when a retail merchant reports the sales tax for the sales of gasoline, in order to determine the amount of sales tax to be reported, the retail merchant shall multiply the gross receipts by 6.54 percent. Gross receipts includes the sales tax, but excludes state and federal gasoline and special fuel taxes.

SECTION 316, IC 6-2.5-8-1 [April 1, 2008] makes a technical change concerning reporting to the county assessor if there is no township assessor.

SECTION 317, IC 6-2.5-10-1 [May 1, 2008] changes the distribution of the sales tax to provide the following deposits of sales tax revenue: 99.178 percent to the general fund; 0.67 percent to the public mass transportation fund; 0.029 percent to the industrial rail service fund; and 0.123 percent to the commuter rail service fund.

SECTION 318, IC 6-3-2-6 [Jan. 1, 2008 - Retroactive] increases the renter's income tax deduction from $2,500 to $3,000.

SECTION 319, IC 6-3-4-4.1 [Jan. 1, 2009] provides that an individual filing an estimated tax return must designate an amount that represents state adjusted gross income tax liability, and an amount that represents estimated local option income tax liability.

SECTION 320, IC 6-3-4-15.7 [Jan. 1, 2009] requires a person that requests withholding of adjusted gross income tax from an annuity, pension, or retirement plan shall designate the amount that represents state adjusted gross income tax and the amount that represents local option income tax. The Department is required to adopt guidelines to assist taxpayers in making the required designations.

SECTION 321, IC 6-3-4-16 [July 1, 2008] provides for individual income tax returns filed after Dec. 31, 2010, the Department will implement a system of crosschecks between the employer W-2 forms and the individual taxpayer's W-2 forms.

SECTION 322, IC 6-3-4-17 [July 1, 2008] provides that after Dec. 31, 2010, the Department and the Office of Management and Budget shall develop a quarterly report that summarizes the amount reported to and processed by the Department for individual estimated tax and monthly withholding by employers for each county. The report shall be distributed to the county auditors within 45 days after the end of the calendar quarter.

SECTION 323, IC 6-3-7-3 [Jan. 1, 2009] provides that 100 percent of the individual income tax will be deposited in the state general fund.

SECTION 324, IC 6-3.1-11-19 [July 1, 2008 - Retroactive] makes a technical change to the industrial recovery site tax credit repealing the language concerning the property tax credit for inventory.

SECTION 325, IC 6-3.1-21-6 [Jan. 1, 2009] increases the earned income tax credit from 6 percent of the federal credit to 9 percent of the federal credit.

SECTION 327, IC 6-3.5-1.1-9 [July 1, 2008] requires the budget agency to provide to a county council a summary of calculations concerning the amount of CAGIT reported on individual income tax returns processed by the Department during the previous fiscal year, adjustments for over distributions in prior years, adjustments for clerical or mathematical errors in prior years, adjustments for tax rate changes, and the amount of the excess account balances to be distributed.

SECTION 330, IC 6-3.5-1.1-18 [Jan. 1, 2009] requires employers to report the amount of county tax attributable to each county each time the employer remits the tax withheld.

SECTION 332, IC 6-3.5-1.1-25 [July 1, 2008] provides that if a county adopts a rate of 0.25 percent for levy relief and property tax replacement credits combined or singly, the county can adopt a rate not to exceed 0.25 percent for public safety.

SECTION 333, IC 6-3.5-1.1-26 [Upon Passage] authorizes Lake County to adopt CAGIT for property tax levy reduction or property tax replacement credits. The tax revenue can be: distributed to a municipality based on the tax collected from the taxpayers located in the municipality; and if it is collected from taxpayers in an unincorporated area, the revenue shall be distributed to the

Quatlity That Counts **Spotlight**

Deborah Schonfeld

When the Human Resources division was in the midst of developing new training modules for Department of Revenue employees, the director of the project left the Department for other opportunities. Enter **Deborah Schonfeld**, who assumed the role of project manager. Her initiative, coupled with the efforts of another division's supervisory team, kept the project on course, working evenings. Two months later, she was named the official frontline training program director, and earned a *Quality That Counts* Award for her dedication and hard work.

unincorporated area of the county and used for property tax replacement credits. The Lake County revenue can also be split so that 60 percent is used for property tax replacement credits and 40 percent is used for levy reduction.

SECTION 338, IC 6-3.5-6-17 [July 1, 2008] requires the budget agency to provide to a county council a summary of calculations concerning the amount of COIT reported on individual income tax returns processed by the Department during the previous fiscal year, adjustments for over distributions in prior years, adjustments for clerical or mathematical errors in prior years, adjustments for tax rate changes, and the amount of the excess account balances to be distributed.

SECTION 340, IC 6-3.5-6-22 [Jan. 1, 2009] requires employers to report the amount of county tax attributable to each county each time the employer remits the tax withheld.

SECTION 342, IC 6-3.5-6-31 [July 1, 2008] provides that if a county adopts a rate of 0.25 percent for levy relief and property tax replacement credits combined or singly, the county can adopt a rate not to exceed 0.25 percent for public safety.

SECTION 343, IC 6-3.5-6-32 [Upon Passage] authorizes Lake County to adopt COIT for property tax levy reduction or property tax replacement credits. The tax revenue can be: distributed to a municipality based on the tax collected from the taxpayers located in the municipality; and if it is collected from taxpayers in an unincorporated area, the revenue shall be distributed to the unincorporated area of the county and used for property tax replacement credits. The Lake County revenue can also be split so that 60 percent is used for property tax replacement credits and 40 percent is used for levy reduction.

SECTION 345, IC 6-3.5-7-11 [July 1, 2008] requires the budget agency to provide to a county council a summary of calculations concerning the amount of CEDIT reported on individual income tax returns processed by the Department during the previous fiscal year, adjustments for over distributions in prior years, adjustments for clerical or mathematical errors in prior years, adjustments for tax rate changes, and the amount of the excess account balances to be distributed.

SECTION 348, IC 6-3.5-7-18 [Jan. 1, 2009] requires employers to report the amount of county tax attributable to each county each time the employer remits the tax withheld.

SECTION 358, IC 6-8.1-1-1 [Jan. 1, 2009] repeals the reference to the municipal option income tax in the listed taxes.

SECTION 359, IC 6-8.1-7-1 [July 1, 2008] changes a reference from the county office of family and children to the local office of the division of family resources.

SECTION 828, NONCODE [Jan. 1, 2008 - Retroactive] provides an income tax deduction for property taxes paid in 2008 that would have been due in 2007, if the county had sent the bills out in a timely manner. The amount of the deduction is the amount of property taxes paid in 2008, less any amount paid in 2007 for 2007 that were not due until 2008.

SECTION 845, NONCODE [April 1, 2008] provides that the change in the collection allowance will apply to reporting periods beginning after June 30, 2008. This SECTION also provides that transactions will be considered as having occurred after March 31, 2008 to the extent delivery of the property to the purchaser is made after that date. A transaction will be considered as having occurred before April 1, 2008 to the extent that an agreement of the parties was entered into before April 1, 2008, and payment for the property furnished in the transaction is made before April 1, 2008, even if delivery occurs after March 31, 2008. With

respect to utility services including satellite and cable television transactions for which the charges are collected upon original statements and billings dated after April 30, 2008 shall be considered as having occurred after March 31, 2008.

SECTION 846, NONCODE [Upon Passage] extends the dates for adoption and implementation of LOIT rates in 2008 to be used for property tax relief, levy limits and public safety. The following chart provides the dates for adoption and implementation of the tax rates:

ADOPTION	IMPLEMENTATION
Before Oct. 1, 2008	Oct. 1, 2008
Oct. 1 to Oct. 15, 2008	Nov. 1, 2008
Oct. 16 to Nov. 15, 2008	Dec. 1, 2008
Nov. 16 to Dec. 31, 2008	Jan. 1, 2009

HB 1010, SECTION 9, [Jan. 1, 2007 - Retroactive] extends the deadlines for imposition of CAGIT and COIT to Dec. 31, 2007 from the original deadline of Aug. 1, 2007, depending on the date the ordinance is adopted if it is adopted after Aug. 1, 2007.

HB 1125, SECTION 7, IC 6-2.3-3-5 [Upon Passage] provides that the sale of natural gas to a generator of electricity for use by the purchaser in generating electricity for resale is exempt from the utility receipts tax and the utility services use tax.

SECTION 8, IC 6-2.5-4-16 [EFFECTIVE JULY 1, 2008] provides that the sales tax only applies to the rental of an aircraft and not to the cost of flight instruction when a person rents an aircraft used in conjunction with flight instruction services.

SECTION 9, IC 6-2.5-5-41 [July 1, 2008] provides that the sales tax exemption for media production expenditures is extended until Dec. 31, 2011.

SECTION 10, IC 6-2.5-6-1 [Jan. 1, 2009] provides that if a retail merchant's annual sales tax liability is less than $1,000, the retail merchant is only required to file an annual return. A person that remits sales tax by electronic funds transfer is required to file a monthly return instead of a quarterly recap.

SECTION 11, IC 6-3-1-3.5 [Jan. 1, 2008 - Retroactive] provides that the federal tax rebate distributed in 2008 will not be considered as adjusted gross income in Indiana.

SECTION 12, IC 6-3-1-11 [Jan. 1, 2008 - Retroactive] provides that the definition of Indiana adjusted gross income is amended to coincide with the federal definition used in the Internal Revenue Code.

SECTION 13, IC 6-3-3-12 [Jan. 1, 2008 - Retroactive] provides that if a person makes a nonqualified withdrawal from a 529 savings account, and is not required to file an annual Indiana income tax return, the Department has the authority to issue a demand notice to the person. This section also provides that a withdrawal from the college choice 529 education savings plan transferred to another qualified tuition program is a nonqualified withdrawal.

SECTION 14, IC 6-3-4-1.5 [Jan. 1, 2009] provides that a professional preparer is not required to file a return in an electronic format if the taxpayer requests in writing that the return not be filed electronically. After December 31, 2010, a professional preparer that does not comply with electronic filing procedures will be subject to a penalty of $50 for each return not filed in an electronic format with a maximum penalty of $25,000 per year.

SECTION 15, IC 6-3-4-4.1 [Jan. 1, 2009] provides that an estimated tax payment made by a nonresident alien must be computed by applying only one personal exemption regardless of the total number of exemptions the person may claim on the taxpayer's annual return.

SECTION 16, IC 6-3-4-8 [Jan. 1, 2009] provides that an employer withholding taxes for a nonresident alien is required to limit the number of exemptions claimed to one per employee.

SECTION 17, IC 6-3.1-21-6 [Jan. 1, 2009] provides that a nonresident taxpayer claiming the earned income tax credit is required to apportion the amount of the credit on the same basis that Indiana income is apportioned.

SECTION 18, IC 6-3.1-32-9 [July 1, 2008] provides that the media production income tax credit is limited to $5,000,000 for all taxpayers in a state fiscal year.
SECTION 19, IC 6-3.1-32-11 [July 1, 2008] provides that if a taxpayer has more than $6,000,000 in qualified media production expenditures, the Indiana Economic Development Corporation determines the amount of credit that the taxpayer is eligible to claim within the $5,000,000 limitation established for all taxpayers.

SECTION 20, IC 6-3.1-32-13 [July 1, 2008] provides that the maximum movie production tax credit that can be claimed for projects approved by the Indiana Economic Development Corporation is eliminated, because of the total limitation of $5,000,000 for all projects.

SECTION 22, IC 6-6-5.1 [Jan. 1, 2009] creates an excise tax on recreational vehicles and truck campers. The excise tax replaces the personal property tax that the owner of these vehicles is required to pay.

SECTION 23, IC 6-7-1-17 [July 1, 2008] provides that a cigarette distributor must be current on all listed taxes to have the distributor's license issued or renewed. If a distributor is purchasing cigarette stamps on credit, the payment shall be made by electronic funds transfer.

SECTION 24, IC 6-8-12-1 [July 1, 2008] provides that the NCAA is added to the NFL as an eligible entity to receive tax incentives if Indianapolis hosts a qualified event.

SECTION 25, IC 6-8-12-2 [July 1, 2008] provides that the Men's or Women's Final Four is added to the Super Bowl as eligible qualified events for which the state will provide tax incentives.

What Indiana Taxpayers Have To Say

"Once the error was discovered we came in contact with Michael [Barnes]. What I got was not what you expect from government employees. Michael went out of his way to assist us in getting the situation resolved. He was at all times polite and I felt that he was going out of his way to help. What I originally thought would be an unending and frustrating situation was resolved much quicker than I ever imagined."
L. Catanzarite

SECTION 26, IC 6-8-12-3 [July 1, 2008] provides that salaries and wages paid to employees of the NCAA that are normally subject to adjusted gross income tax will continue to be subject to adjusted gross income tax even if the salaries and wages are paid in connection with an NCAA Final Four event.

SECTION 27, IC 6-8.1-1-1 [Jan. 1, 2009] adds the RV excise tax as a listed tax.

SECTION 28, IC 6-8.1-5-2 [Jan. 1, 2009] provides that if a person fails to pay the RV excise tax the person is considered to have failed to file a return for purposes of penalties imposed by the Department.

SECTION 29, IC 6-8.1-7-1 [Jan. 1, 2009] provides that the Department can release information to the BMV concerning evasion of the RV excise tax if the information is used for enforcement and collection purposes. Confidential information may be revealed upon request from the chief law enforcement officer of a state or local law enforcement agency, when the information is to be kept confidential and used for official purposes.

SECTION 30, IC 6-8.1-9-1 [Jan. 1, 2009] changes a reference to an internal code cite.

SECTION 31, IC 6-8.1-10-3.5 [Jan. 1, 2009] provides that if a person fails to file an individual income tax return where no remittance is due, the person is subject to a penalty of $10 per day for each day the return is late, to a maximum of $500.

SECTION 32, IC 6-8.1-10-4 [Jan. 1, 2009] provides that if a person fails to pay the RV excise tax, the person commits a Class A misdemeanor.

SECTION 33, IC 6-8.1-10-5 [July 1, 2008] provides that a person who makes a payment by credit card, debit card, or EFT where the payment is not honored when presented through normal banking channels, the person is subject to the same penalties as a taxpayer whose check payment is not honored by a financial institution.
SECTION 62, NONCODE [Jan. 1, 2008 - Retroactive] provides that the provision to update the Indiana Code to coincide with the Internal Revenue Code takes effect for taxable years beginning after Dec. 31, 2007.

SECTION 63, NONCODE [Jan. 1, 2008 - Retroactive] provides that the definition of Indiana adjusted gross income contained in IC 6-3-1-3.5 takes effect for taxable years beginning after Dec. 31, 2007.

SECTION 77, NONCODE [Jan. 1, 2009] provides that estimated tax payments computed by nonresident aliens allowing for one personal exemption, and employers withholding adjusted gross income tax from nonresident aliens allowing for one personal exemption when calculating the amount of tax to be withheld applies to taxable years beginning after Dec. 31, 2008.

SECTION 78, NONCODE [Jan. 1, 2009] provides that for reporting periods beginning after Dec. 31, 2008, a retail merchant whose annual sales tax liability that is less than $1,000 is only required to file an annual return.

SECTION 79, NONCODE [Jan. 1, 2008 - Retroactive] provides that the amendments to the college choice 529 education savings plan income tax credit apply to taxable years beginning after Dec. 31, 2007.

SECTION 80, NONCODE [Jan. 1, 2009] provides that the amendments concerning the ability of a taxpayer to opt out of electronic filing when the return is completed by a professional preparer applies to returns filed after Dec. 31, 2008.

SECTION 81, NONCODE [Jan. 1, 2009] provides that the increase in the earned income tax credit, and the penalty for an individual who fails to file a return even if no remittance is due, applies to taxable years

beginning after Dec. 31, 2008.
HB 1137, NUMEROUS SECTIONS, [Upon Passage] makes technical corrections and corrects internal code cites within various provisions of Title 6.

HB 1153, SECTION 13, IC 4-36 [July 1, 2008] authorizes taverns to sell pull tabs, tip boards, punchboards, and conduct raffles. Taverns, manufacturers and distributors are required to be licensed by the alcohol and tobacco commission before they can conduct gaming or sell gaming equipment. Applicants for a license must receive a tax clearance from the Department and may not be on the most recent tax warrant list. An excise tax is imposed on the distribution of gambling games in the amount of 10 percent of the price paid by the retailer that purchases the games. The entity distributing the pull tabs, punchboards, or tip boards is liable for the tax.

The Department will establish procedures for the distributor to account for the amount of tax collected, the number of games sold, the receipts for the sale of the games, and the address of each retailer that purchased games from the distributor in the previous calendar month. All taxes are required to be remitted on a monthly basis. The Department shall prescribe the forms and reports required to be filed, and the contents of the reports. The Department is authorized to audit a licensee at any time. The Department shall deposit all taxes in the general fund.

SECTION 14, IC 6-2.5-5-43 [July 1, 2008] provides that the sale of gambling games to taverns are exempt from the sales tax.

SECTION 15, IC 6-8.1-1-1 [July 1, 2008] provides that the type II gambling game excise tax is a listed tax.

HB 1219, SECTION 1, IC 6-8.1-8-8.7 [Mar. 15, 2008 - Retroactive] provides that any person acting on behalf of the Department is not liable for any action taken in good faith to collect the Department's levy unless the action is contrary to the Department's direction, or the person acts with deliberate ignorance or disregard of the truth.

HB 1250, SECTION 3, IC 6-9-40 [Upon Passage] authorizes Steuben County to adopt an ordinance to impose a 1 percent food and beverage tax. The tax is effective after the last day of the month that succeeds the month in which the ordinance was adopted. Half of the revenue will be distributed to the city of Angola, and the remainder is to be used by the county. The revenue from the tax can be used for infrastructure improvements, park and recreation improvements, police and law enforcement purposes and bond obligations for any infrastructure improvements.

HB 1341, SECTION 8, IC 6-3-2-13 [July 1, 2008] changes the reference to the port commission to the ports of Indiana within the maritime opportunity district tax deduction.

HB 1388-2007, VETO OVERRIDE, SECTION 1, IC 6-2.5-5-41 [July 1, 2008] amends the sales tax exemption for motion pictures to eliminate the definition of a motion picture and insert the term "qualified media production," which includes a feature length film, television series, digital media production, audio recording or music video, advertising message broadcast on radio or television. The definition does not include television coverage of the news or a sporting event. The amendment also provides that an expenditure is not eligible for the sales tax exemption if the expenditure qualifies for and is used to claim an income tax credit.

SECTION 2, IC 6-3.1-32 [July 1, 2008] creates a media production expenditure income tax credit. A qualified media production includes a feature length film, music video, television series, digital media production, and an advertising message broadcast on television or radio. The definition does not include television coverage of the news or an athletic event. Expenses that qualify for the credit include: salaries and wages to

Indiana residents, costs for a story, costs for locations, sets, and wardrobes, editing costs, facility and equipment rental, food and lodging, and legal services. Qualified expenses do not include payments of wages and salaries to a director, producer, screenwriter, or an actor unless the individual is a resident of Indiana.

Qualified expenditures that are at least $100,000 for a movie or television series, or $50,000 for any other type of media production are entitled to a refundable tax credit. If the total qualified production expenditures are less than $6,000,000 in a taxable year, the income tax credit is 15 percent of the qualified expenditures. If the total qualified production expenditures exceed $6,000,000 in a taxable year, the amount of the credit is a percentage determined by the Indiana Economic Development Corporation multiplied by the amount of qualified production expenditures in the taxable year. A taxpayer that is going to claim a credit must, before making the qualified production expenditures, apply to the IEDC for approval of the tax credit. The maximum amount of tax credits that may be approved by the IEDC may not exceed $5,000,000 in a taxable year for all taxpayers. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the taxpayer is entitled to a refund of the excess.

A taxpayer receiving the credit must file a tax return for the first five years that the taxpayer has income from the qualified media production for which the tax credit was granted. Income from the qualified media production is apportioned to Indiana based on the income of the corporation multiplied by a percentage equal to the amount of qualified expenditures for which the tax credit was granted, divided by the total production expenditures for the qualified media production. The credit cannot be awarded for any taxable year beginning after Dec. 31, 2011.

NOTE: IC 6-3.1-32 was also amended by HEA 1125-2008 SECTIONS 18, 19, and 20.

TAXES AFFECTED BY CODE CITE

UTILITY RECEIPTS TAX (IC 6-2.3)

IC 6-2.3-3-5 [Upon Passage] provides that the sale of natural gas to a generator of electricity for use by the purchaser in generating electricity for resale is exempt from the utility receipts tax and the utility services use tax.

What Indiana Taxpayers Have To Say

"My wife was an employee of the State of Indiana for almost a decade, and I know firsthand that state employees are often the subject of a lot of undeserved criticism and complaints. I wanted you to know that there are some of us citizens out here who realize that our state agencies deal with a wide variety and huge volume of issues, and I appreciate the outstanding service I was provided by the DOR and [Diane] Baugher during what has been a stressful time for myself and my family. Thank you."
G. Wheeler

SALES AND USE TAX (IC 6-2.5)

IC 6-2.5-1-16.2 [Jan. 1, 2009] defines digital audio works as the fixation of a series of musical, spoken or other sounds, including ring tones.
IC 6-2.5-1-16.3 [Jan. 1, 2009] defines digital audiovisual works as a series of related images that, when shown in succession, impart an impression of motion.

IC 6-2.5-1-16.4 [Jan. 1, 2009] defines digital books as works that are generally recognized as books.

IC 6-2.5-1-18 [Upon Passage] adds repair and replacement parts as components used in conjunction with durable medical equipment.

IC 6-2.5-1-26.5 [Jan. 1, 2009] defines specified digital products as digital audio works, digital audio visual works, and digital books.

IC 6-2.5-2-2 [April 1, 2008] increases the sales tax rate from 6 percent to 7 percent, and lists the amount of tax to be collected for transactions that are less than $1.07.

IC 6-2.5-4-16 [Jan. 1, 2009] provides that when a person transfers specified digital products to an end user, the person is a retail merchant making a retail transaction that is subject to sales tax. An end user does not include a person who receives a product transferred electronically for further commercial broadcast, rebroadcast, transmission, retransmission, licensing distribution, or exhibition of a product to another person.

IC 6-2.5-4-16 [July 1, 2008] provides that the sales tax only applies to the rental of an aircraft and not to the cost of flight instruction when a person rents an aircraft used in conjunction with flight instruction services.

IC 6-2.5-5-41 [July 1, 2008] amends the sales tax exemption for motion pictures to eliminate the definition of a motion picture and insert the term "qualified media production," which includes a feature length film, television series, digital media production, audio recording or music video, advertising message broadcast on radio or television. The definition does not include television coverage of the news or a sporting event. The amendment also provides that an expenditure is not eligible for the sales tax exemption if the expenditure qualifies for and is used to claim an income tax credit.

IC 6-2.5-5-41 [July 1, 2008] provides that the sales tax exemption for media production expenditures is extended until Dec. 31, 2011.

IC 6-2.5-5-43 [July 1, 2008] provides that the sale of gambling games to taverns are exempt from the sales tax.

IC 6-2.5-6-1 [Jan. 1, 2009] provides that if a retail merchant's annual sales tax liability is less than $1,000, the retail merchant is only required to file an annual return. A person that remits sales tax by electronic funds transfer is required to file a monthly return instead of a quarterly recap.

IC 6-2.5-6-7 [April 1, 2008] requires a retail merchant to pay 7 percent of the retail merchant's gross retail income to the Department.

IC 6-2.5-6-8 [April 1, 2008] provides that a retail merchant's income exclusion ratio is the total gross retail income from transactions that are less than $.08 divided by the total gross retail income for the tax year from all retail transactions.

IC 6-2.5-6-10 [April 1, 2008] for reporting periods beginning after June 30, 2008, the collection allowance is reduced to: 0.73 percent if the annual sales tax liability is less than $60,000; 0.53 percent if the annual sales

tax liability is greater than $60,000 and less than $600,000; and 0.26 percent if the annual sales tax liability exceeds $600,000.

IC 6-2.5-7-3 [April 1, 2008] increases the sales tax rate to 7 percent when it is applied against the price of gasoline before the addition of state and federal taxes.

IC 6-2.5-7-5 [April 1, 2008] provides that when a retail merchant reports the sales tax for the sales of gasoline, in order to determine the amount of sales tax to be reported, the retail merchant shall multiply the gross receipts by 6.54 percent Gross receipts includes the sales tax, but excludes state and federal gasoline and special fuel taxes.

IC 6-2.5-7-5.5 [July 1, 2008] changes an internal reference to reflect a change due to a recodification of the statute concerning agricultural commodities.

IC 6-2.5-8-1 [July 1, 2008] makes a technical change concerning reporting to the county assessor if there is no township assessor.

IC 6-2.5-10-1 [May 1, 2008] changes the distribution of the sales tax to provide the following deposits of sales tax revenue: 99.178 percent to the general fund; 0.67 percent to the public mass transportation fund; 0.029 percent to the industrial rail service fund; and 0.123 percent to the commuter rail service fund.

IC 6-2.5-13-1 [Jan. 1, 2008 - Retroactive] provides that until Dec. 31, 2009, sourcing of floral orders transmitted to another florist for delivery is sourced to the location of the florist that originally takes the floral order from the purchaser.

ADJUSTED GROSS INCOME TAX (IC 6-3)

IC 6-3-1-3.5 [Jan. 1, 2008 - Retroactive] provides that the federal tax rebate distributed in 2008 will not be considered as adjusted gross income in Indiana.

IC 6-3-1-11 [Jan. 1, 2008 - Retroactive] provides that the definition of Indiana adjusted gross income is amended to coincide with the federal definition used in the Internal Revenue Code.

IC 6-3-2-6 [Jan. 1, 2008 - Retroactive] increases the renter's income tax deduction from $2,500 to $3,000.
IC 6-3-2-13 [July 1, 2008] changes the reference to the port commission to the ports of Indiana within the maritime opportunity district tax deduction.
IC 6-3-3-12 [Jan. 1, 2008 - Retroactive] provides that if a person makes a nonqualified withdrawal from a 529 savings account, and is not required to file an annual Indiana income tax return, the Department has the authority to issue a demand notice to the person. This section also provides that a withdrawal from the college choice 529 education savings plan transferred to another qualified tuition program is a nonqualified withdrawal.

IC 6-3-4-1.5 [Jan. 1, 2009] provides that a professional preparer is not required to file a return in an electronic format if the taxpayer requests in writing that the return not be filed electronically. After Dec. 31, 2010, a professional preparer that does not comply with electronic filing procedures will be subject to a penalty of $50 for each return not filed in an electronic format with a maximum penalty of $25,000 per year.

IC 6-3-4-4.1 [Jan. 1, 2009] provides that an estimated tax payment made by a nonresident alien must be computed by applying only one personal exemption regardless of the total number of exemptions the person may claim on the taxpayer's annual return.
IC 6-3-4-4.1 [Jan. 1, 2009] provides that an individual filing an estimated tax return must designate an amount

that represents state adjusted gross income tax liability, and an amount that represents estimated local option income tax liability.

IC 6-3-4-8 [Jan. 1, 2009] provides that an employer withholding taxes for a nonresident alien is required to limit the number of exemptions claimed to one per employee.

IC 6-3-4-15.7 [Jan. 1, 2009] requires a person that requests withholding of adjusted gross income tax from an annuity, pension, or retirement plan shall designate the amount that represents state adjusted gross income tax and the amount that represents local option income tax. The Department is required to adopt guidelines to assist taxpayers in making the required designations.

IC 6-3-4-16 [July 1, 2008] provides for individual income tax returns filed after Dec. 31, 2010, the Department will implement a system of crosschecks between the employer W-2 forms and the individual taxpayer's W-2 forms.

IC 6-3-4-17 [July 1, 2008] provides that after Dec. 31, 2010, the Department and the Office of Management and Budget shall develop a quarterly report that summarizes the amount reported to and processed by the Department for individual estimated tax and monthly withholding by employers for each county. The report shall be distributed to the county auditors within 45 days after the end of the calendar quarter.

IC 6-3-7-3 [Jan. 1, 2009] provides that100 percent of the individual income tax will be deposited in the state general fund.

TAX CREDITS (IC 6-3.1)

IC 6-3.1-11-19 [July 1, 2008 - Retroactive] makes a technical change to the industrial recovery site tax credit repealing the language concerning the property tax credit for inventory.

IC 6-3.1-21-6 [Jan. 1, 2009] increases the earned income tax credit from 6 percent of the federal credit to 9 percent of the federal credit.

IC 6-3.1-21-6 [Jan. 1, 2009] provides that a nonresident taxpayer claiming the earned income tax credit is required to apportion the amount of the credit on the same basis that Indiana income is apportioned.
IC 6-3.1-29-19 [Jan. 1, 2008 - Retroactive] allows non Indiana coal to be used in a coal gasification power plant if the taxpayer certifies to the Indiana Economic Development Corporation (IEDC) that partial use of other coal will result in lower rates for Indiana retail utility customers.

IC 6-3.1-32 [July 1, 2008] creates a media production expenditure income tax credit. A qualified media production includes a feature length film, music video, television series, digital media production, and an advertising message broadcast on television or radio. The definition does not include television coverage of the news or an athletic event. Expenses that qualify for the credit include: salaries and wages to Indiana residents, costs for a story, costs for locations, sets, and wardrobes, editing costs, facility and equipment rental, food and lodging, and legal services. Qualified expenses do not include payments of wages and salaries to a director, producer, screenwriter, or an actor unless the individual is a resident of Indiana.

Qualified expenditures that are at least $100,000 for a movie or television series, or $50,000 for any other type of media production are entitled to a refundable tax credit. If the total qualified production expenditures are less than $6,000,000 in a taxable year, the income tax credit is 15 percent of the qualified expenditures. If the total qualified production expenditures exceed $6,000,000 in a taxable year, the amount of the credit is a percentage determined by the Indiana Economic Development Corporation multiplied by the amount of qualified production expenditures in the taxable year. A taxpayer that is going to claim a credit must, before

making the qualified production expenditures, apply to the IEDC for approval of the tax credit. The maximum amount of tax credits that may be approved by the IEDC may not exceed $5,000,000 in a taxable year for all taxpayers. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the taxpayer is entitled to a refund of the excess.

A taxpayer receiving the credit must file a tax return for the first five years that the taxpayer has income from the qualified media production for which the tax credit was granted. Income from the qualified media production is apportioned to Indiana based on the income of the corporation multiplied by a percentage equal to the amount of qualified expenditures for which the tax credit was granted, divided by the total production expenditures for the qualified media production.
The credit cannot be awarded for any taxable year beginning after Dec. 31, 2011.

NOTE: IC 6-3.1-32 was also amended by HEA 1125-2008 SECTIONS 18, 19, and 20.

IC 6-3.1-32-9 [July 1, 2008] provides that the media production income tax credit is limited to $5,000,000 for all taxpayers in a state fiscal year.

IC 6-3.1-32-11 [July 1, 2008] provides that if a taxpayer has more than $6,000,000 in qualified media production expenditures, the Indiana Economic Development Corporation determines the amount of credit that the taxpayer is eligible to claim within the $5,000,000 limitation established for all taxpayers.

IC 6-3.1-32-13 [July 1, 2008] provides that the maximum movie production tax credit that can be claimed for projects approved by the Indiana Economic Development Corporation is eliminated, because of the total limitation of $5,000,000 for all projects.

COUNTY ADJUSTED GROSS INCOME TAX (IC 6-3.5-1.1)

IC 6-3.5-1.1-9 [July 1, 2008] requires the budget agency to provide to a county council a summary of calculations concerning the amount of CAGIT reported on individual income tax returns processed by the Department during the previous fiscal year, adjustments for over distributions in prior years, adjustments for clerical or mathematical errors in prior years, adjustments for tax rate changes, and the amount of the excess account balances to be distributed.

IC 6-3.5-1.1-18 [Jan. 1, 2009] requires employers to report the amount of county tax attributable to each county each time the employer remits the tax withheld.

IC 6-3.5-1.1-25 [July 1, 2008] provides that if a county adopts a rate of 0.25 percent for levy relief and property tax replacement credits combined or singly, the county can adopt a rate not to exceed 0.25 percent for public safety.

IC 6-3.5-1.1-26 [Upon Passage] authorizes Lake County to adopt CAGIT for property tax levy reduction or property tax replacement credits. The tax revenue can be: distributed to a municipality based on the tax collected from the taxpayers located in the municipality; and if it is collected from taxpayers in an unincorporated area, the revenue shall be distributed to the unincorporated area of the county and used for property tax replacement credits. The Lake County revenue can also be split so that 60 percent is used for property tax replacement credits and 40 percent is used for levy reduction.

COUNTY OPTION INCOME TAX (IC 6-3.5-6)

IC 6-3.5-6-17 [July 1, 2008] requires the budget agency to provide to a county council a summary of calculations concerning the amount of COIT reported on individual income tax returns processed by the Department during the previous fiscal year, adjustments for over distributions in prior years, adjustments for

clerical or mathematical errors in prior years, adjustments for tax rate changes, and the amount of the excess account balances to be distributed.

IC 6-3.5-6-22 [Jan. 1, 2009] requires employers to report the amount of county tax attributable to each county each time the employer remits the tax withheld.

IC 6-3.5-6-31 [July 1, 2008] provides that if a county adopts a rate of 0.25 percent for levy relief and property tax replacement credits combined or singly, the county can adopt a rate not to exceed 0.25 percent for public safety.

IC 6-3.5-6-32 [Upon Passage] authorizes Lake County to adopt COIT for property tax levy reduction or property tax replacement credits. The tax revenue can be: distributed to a municipality based on the tax collected from the taxpayers located in the municipality; and if it is collected from taxpayers in an unincorporated area, the revenue shall be distributed to the unincorporated area of the county and used for property tax replacement credits. The Lake County revenue can also be split so that 60 percent is used for property tax replacement credits and 40 percent is used for levy reduction.

COUNTY ECONOMIC DEVELOPMENT INCOME TAX (IC 6-3.5-7)

IC 6-3.5-7-11 [July 1, 2008] requires the budget agency to provide to a county council a summary of calculations concerning the amount of CEDIT reported on individual income tax returns processed by the Department during the previous fiscal year, adjustments for over distributions in prior years, adjustments for clerical or mathematical errors in prior years, adjustments for tax rate changes, and the amount of the excess account balances to be distributed.

IC 6-3.5-7-18 [Jan. 1, 2009] requires employers to report the amount of county tax attributable to each county each time the employer remits the tax withheld.

RECREATIONAL VEHICLE EXCISE TAX (IC 6-6-5.1)

IC 6-6-5.1 [Jan. 1, 2009] creates an excise tax on recreational vehicles and truck campers. The excise tax replaces the personal property tax that the owner of these vehicles is required to pay.

CIGARETTE TAX (IC 6-7)

IC 6-7-1-17 [July 1, 2008] provides that a cigarette distributor must be current on all listed taxes to have the distributor's license issued or renewed. If a distributor is purchasing cigarette stamps on credit, the payment shall be made by electronic funds transfer.

MISCELLANEOUS TAX PROVISIONS (IC 6-8)

IC 6-8-12-1 [July 1, 2008] provides that the NCAA is added to the NFL as an eligible entity to receive tax incentives if Indianapolis hosts a qualified event.

IC 6-8-12-2 [July 1, 2008] provides that the Men's or Women's Final Four is added to the Super Bowl as eligible qualified events for which the state will provide tax incentives.

IC 6-8-12-3 [July 1, 2008] provides that salaries and wages paid to employees of the NCAA that are normally subject to adjusted gross income tax will continue to be subject to adjusted gross income tax even if the salaries and wages are paid in connection with an NCAA Final Four event.

TAX ADMINISTRATION (IC 6-8.1)

IC 6-8.1-1-1 [Jan. 1, 2009] adds the RV excise tax as a listed tax.

IC 6-8.1-1-1 [Jan. 1, 2009] repeals the reference to the municipal option income tax in the listed taxes.

IC 6-8.1-1-1 [July 1, 2008] provides that the type II gambling game excise tax is a listed tax.

IC 6-8.1-5-2 [Jan. 1, 2009] provides that if a person fails to pay the RV excise tax the person is considered to have failed to file a return for purposes of penalties imposed by the Department.

IC 6-8.1-7-1 [Jan. 1, 2009] provides that the Department can release information to the BMV concerning evasion of the RV excise tax if the information is used for enforcement and collection purposes. Confidential information may be revealed upon request from the chief law enforcement officer of a state or local law enforcement agency, when the information is to be kept confidential and used for official purposes.

IC 6-8.1-7-1 [July 1, 2008] changes a reference from the county office of family and children to the local office of the division of family resources.

IC 6-8.1-8-8.7 [March 15, 2008, - Retroactive] provides that any person acting on behalf of the Department is not liable for any action taken in good faith to collect the Department's levy unless the action is contrary to the Department's direction, or the person acts with deliberate ignorance or disregard of the truth.

IC 6-8.1-9-1 [Jan. 1, 2009] changes a reference to an internal code cite.

IC 6-8.1-10-3.5 [Jan. 1, 2009] provides that if a person fails to file an individual income tax return where no remittance is due, the person is subject to a penalty of $10 per day for each day the return is late, to a maximum of $500.
IC 6-8.1-10-4 [Jan. 1, 2009] provides that if a person fails to pay the RV excise tax, the person commits a Class A misdemeanor.

IC 6-8.1-10-5 [July 1, 2008] provides that a person who makes a payment by credit card, debit card, or EFT where the payment is not honored when presented through normal banking channels, the person is subject to the same penalties as a taxpayer whose check payment is not honored by a financial institution.

LOCAL TAXES (IC 6-9)

IC 6-9-40 [Upon Passage] authorizes Steuben County to adopt an ordinance to impose a 1 percent food and beverage tax. The tax is effective after the last day of the month that succeeds the month in which the ordinance was adopted. Half of the revenue will be distributed to the city of Angola, and the remainder is to be used by the county. The revenue from the tax can be used for infrastructure improvements, park and recreation improvements, police and law enforcement purposes and bond obligations for any infrastructure improvements.

OTHER PROVISIONS

IC 4-35-8-3 [Jan. 1, 2009] provides that the tax revenue from the slot machines at horse race tracks will be deposited in the state general fund instead of the property tax reduction trust fund, which has been eliminated.

IC 4-36 [July 1, 2008] authorizes taverns to sell pull tabs, tip boards, punchboards, and conduct raffles. Taverns, manufacturers and distributors are required to be licensed by the alcohol and tobacco commission before they can conduct gaming or sell gaming equipment. Applicants for a license must receive a tax clearance from the Department and may not be on the most recent tax warrant list. An excise tax is imposed on the distribution of gambling games in the amount of 10 percent of the price paid by the retailer that purchases the games. The entity distributing the pull tabs, punchboards, or tip boards is liable for the tax.

The Department will establish procedures for the distributor to account for the amount of tax collected, the number of games sold, the receipts for the sale of the games, and the address of each retailer that purchased games from the distributor in the previous calendar month. All taxes are required to be remitted on a monthly basis. The Department shall prescribe the forms and reports required to be filed, and the contents of the reports. The Department is authorized to audit a licensee at any time. The Department shall deposit all taxes in the general fund.

IC 22-14-7 [Upon Passage] provides that beginning July 2009 all cigarettes must be tested and certified for fire safety. The Department may inspect markings on the cigarette packaging to ensure that they have been tested and certified for fire safety. Cigarettes that are sold or offered for sale that do not comply with the performance measures are subject to forfeiture. Cigarettes that are seized by a law enforcement officer or the state fire marshal shall be turned over to the Department to be destroyed.

NONCODE PROVISIONS

HB 1001, SECTION 828, NONCODE [Jan. 1, 2008 - Retroactive] provides an income tax deduction for property taxes paid in 2008 that would have been due in 2007, if the county had sent the bills out in a timely manner. The amount of the deduction is the amount of property taxes paid in 2008, less any amount paid in 2007 for 2007 that were not due until 2008.

SECTION 845, NONCODE [April 1, 2008] provides that the change in the collection allowance will apply to reporting periods beginning after June 30, 2008. This SECTION also provides that transactions will be considered as having occurred after March 31, 2008 to the extent delivery of the property to the purchaser is made after that date. A transaction will be considered as having occurred before April 1, 2008 to the extent that an agreement of the parties was entered into before April 1, 2008, and payment for the property furnished in the transaction is made before April 1, 2008, even if delivery occurs after March 31, 2008. With respect to utility services including satellite and cable television transactions for which the charges are collected upon original statements and billings dated after April 30, 2008 shall be considered as having occurred after March 31, 2008.

SECTION 846, NONCODE [Upon Passage] extends the dates for adoption and implementation of LOIT rates in 2008 to be used for property tax relief, levy limits and public safety. The following chart provides the dates for adoption and implementation of the tax rates:

ADOPTION	IMPLEMENTATION
Before Oct. 1, 2008	Oct. 1, 2008
Oct. 1 to Oct. 15, 2008	Nov. 1, 2008
Oct. 16 to Nov. 15, 2008	Dec. 1, 2008
Nov. 16 to Dec. 31, 2008	Jan. 1, 2009

HB 1010, SECTION 9, [Jan. 1, 2007 - Retroactive] extends the deadlines for imposition of CAGIT and COIT to December 31, 2007 from the original deadline of Aug. 1, 2007, depending on the date the ordinance is adopted if it is adopted after Aug. 1, 2007.

HB 1125, SECTION 62, NONCODE [Jan. 1, 2008 - Retroactive] provides that the provision to update the Indiana Code to coincide with the Internal Revenue Code takes effect for taxable years beginning after Dec. 31, 2007.

SECTION 63, NONCODE [Jan. 1, 2008 - Retroactive] provides that the definition of Indiana adjusted gross income contained in IC 6-3-1-3.5 takes effect for taxable years beginning after Dec. 31, 2007.

SECTION 77, NONCODE [Jan. 1, 2009] provides that estimated tax payments computed by nonresident aliens allowing for one personal exemption, and employers withholding adjusted gross income tax from

nonresident aliens allowing for one personal exemption when calculating the amount of tax to be withheld applies to taxable years beginning after Dec. 31, 2008.

SECTION 78, NONCODE [Jan. 1, 2009] provides that for reporting periods beginning after Dec. 31, 2008, a retail merchant whose annual sales tax liability that is less than $1,000 is only required to file an annual return.

SECTION 79, NONCODE [Jan. 1, 2008 - Retroactive] provides that the amendments to the college choice 529 education savings plan income tax credit apply to taxable years beginning after Dec. 31, 2007.

SECTION 80, NONCODE [Jan. 1, 2009] provides that the amendments concerning the ability of a taxpayer to opt out of electronic filing when the return is completed by a professional preparer applies to returns filed after Dec. 31, 2008.

SECTION 81, NONCODE [Jan. 1, 2009] provides that the increase in the earned income tax credit, and the penalty for an individual who fails to file a return even if no remittance is due, applies to taxable years beginning after Dec. 31, 2008.

Taxpayer Service and Education

The Department conducts workshops and seminars throughout the year for various segments of the public, including several seminars offered to the tax schools of Indiana University and Purdue University.

The Department also provides information and tax-training handbooks to Volunteer Income Tax Assistance (VITA) volunteers and other groups that provide free tax preparation for disabled and low to moderate-income taxpayers. The materials and instructional seminars cover changes in tax legislation and policies. In addition, workshops are conducted specifically for new and small businesses on topics such as sales and use tax, and about how to get started on the right track with the Indiana Department of Revenue, among other important topics.

Seeking taxpayer input on a mass scale is important for gathering feedback that can be generalized to the larger taxpayer population. The Department continues to seek taxpayer input through surveys, focus groups, Web feedback, e-mail and the Department's annual meeting in June.

In addition, the Department's taxpayer services division, alone, assisted the following numbers of taxpayers in FY 2008:

- Telephone Calls: 639,639
- E-mails: 25,131
- Walk In: 13,787
- Correspondence: 52,194

What Indiana Taxpayers Have To Say

"As a former Customer Service Manager for INDOT, I realize how important good customer service is to the citizens of Indiana. Your help will speed up our process of starting our new business that will bring new jobs to Indiana. Thank you again for going above and beyond the call of duty."
D. Davis

Improvements in the Training of Department Employees

During FY 2008, the Human Resources division completed the following training for Department of Revenue employees:

Development of customized training for frontline employees (basic job-application skills)

- Tax Administration – 134 employees

Customized Customer Service 4-Step Process Training

- Enforcement/Auditor – 178 employees
- Enforcement/Clerks – 25 employees
- Collections/Outbound Phones – 16 employees
- Collections/Inbound Phones – 12 employees
- Collections/Correspondence – 3 employees
- Collections/Bankruptcy – 17 employees
- Collections/Compliance Check – 15 employees
- Tax Administration/Customer Contact – 56 employees
- Tax Administration/Support – 23 employees
- Tax Administration/Processing – 65 employees

Introduction to Supervision: Instructor-led training for new supervisors and select potential supervisors

- Sept. 2007 and Oct. 2007 – 41 employees
- June 2008 – 35 employees

Continuing Education

- Ethics (state-mandated computer-based training) – 753 employees

Tax Help

Internet Access

Access to forms, information bulletins and directives, tax publications, e-mail, I-File (the online tax filing program), etc. www.in.gov/dor

Telephone Numbers

Automated Information Line
Check on the status of refunds; prerecorded tax topics; tax liability balances
(317) 233-4018

Collection/Liability Inquiries
(317) 232-2165

Corporate Tax Information
(317) 233-4015, option 7

Individual Income Tax Information
(317) 232-2240

Motor Carrier Services "One Stop Shop"
(317) 615-7200

Sales Tax Information
(317) 233-4015

Tax Forms Order Line
Available 24 hours a day
(317) 615-2581

Withholding Tax Information
(317) 233-4016

DISTRICT OFFICE LOCATIONS

Indianapolis (Main Office)
Indiana Government Center North, Rm N105
100 N. Senate Avenue
Indianapolis, IN 46204
(317) 232-2240

Bloomington District Office
410 Landmark Ave.
Bloomington, IN 47403
(812) 339-1119

Clarksville District Office
1446 Horn Street
Clarksville, IN 47129
(812) 282-7729

Mailing address: P.O. Box 3249
Clarksville, IN 47131-3249

Columbus District Office
3136 N. National Rd., Suite H
Columbus, IN 47201
(812) 376-3049

Evansville District Office
500 S. Green River Road
Suite 202, Goodwill Building
Evansville, IN 47715
(812) 479-9261

Fort Wayne District Office
1415 Magnavox Way Suite 100
Fort Wayne, IN 46804
(260) 436-5663

Kokomo District Office
117 East Superior Street
Kokomo, IN 46901
(765) 457-0525

Lafayette District Office
100 Executive Drive, Suite B
Lafayette, IN 47905
(765) 448-6626

Merrillville District Office
8368 Louisiana Ave., Suite A
Merrillville, IN 46410
(219) 769-4267

Muncie District Office
3640 N. Briarwood Lane, Suite 5
Muncie, IN 47304
(765) 289-6196

South Bend District Office
1025 Widener Lane
South Bend, IN 46614
(574) 291-8270

Terre Haute District Office
30 N. 8th Street, 3rd Floor
Terre Haute, IN 47807
(812) 235-6046

District office business hours are 8 a.m. to 4:30 p.m. Monday - Friday.

Access Indiana Information Network

Comprehensive information about your Indiana state government, including advice on what to do in emergencies, can be found on the state's official Web site, the Access Indiana Information Network, at:
www.in.gov